

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission File Number: 001-39407

Li Auto Inc.

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

11 Wenliang Street
Shunyi District, Beijing 101399
People's Republic of China

(Address of Principal Executive Offices)

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People's Republic of China

(Name, Telephone, Email and/or Facsimile Number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American depositary shares, each representing two Class A ordinary shares, par value US\$0.0001 per share	LI	The Nasdaq Stock Market LLC (The Nasdaq Global Select Market)
Class A ordinary shares, par value US\$0.0001 per share	2015	The Stock Exchange of Hong Kong Limited

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

1,780,376,942 Class A ordinary shares (excluding the 4,693,246 Class A ordinary shares issued to the depositary bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans), par value US\$0.0001 per share, and 355,812,080 Class B ordinary shares, par value US\$0.0001 per share, as of December 31, 2025.

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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INTRODUCTION

In this annual report, unless otherwise indicated or unless the context otherwise requires:

- “ADRs” refers to the American depositary receipts that evidence the ADSs;
- “ADSs” refers to the American depositary shares, each of which represents two Class A ordinary shares of our company;
- “CCASS” refers to the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
- “China” or “PRC” refers to the People’s Republic of China, and, unless the context requires otherwise and solely for the purpose of this annual report such as describing legal or tax matters, authorities, entities, or persons, excludes Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region of the People’s Republic of China;
- “Class A ordinary shares” refers to the Class A ordinary shares of Li Auto Inc. with a par value of US\$0.0001 per share;
- “Class B ordinary shares” refers to the Class B ordinary shares of Li Auto Inc. with a par value of US\$0.0001 per share;
- “OTA” refers to over-the-air, a technology that updates vehicle firmware and software remotely through cloud network
- “Hong Kong” refers to the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Hong Kong dollars” or “HK\$” refers to the legal currency of Hong Kong;
- “Hong Kong Listing Rules” refers to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Stock Exchange” refers to The Stock Exchange of Hong Kong Limited;
- “HPC” refers to high-power charging;
- “ICE” refers to internal combustion engine;
- “Li Auto,” “we,” or “our company” refers to Li Auto Inc., a Cayman Islands holding company, and its subsidiaries and, in the context of describing our operations and consolidated financial information, the VIEs and their respective subsidiaries, unless otherwise indicated herein. For the avoidance of confusion, “Li Auto Inc.” or “our holding company” only refers to Li Auto Inc.; “our subsidiaries” refers to the entities in which Li Auto Inc. holds direct or indirect equity ownership, and thus consolidates their financial information; for “variable interest entities” or “VIEs,” see stand-alone definition set forth below. Li Auto Inc. does not conduct operations of its own and does not have any equity ownership in the VIEs;
- “Main Board” refers to the stock market (excluding the option market) operated by the Hong Kong Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
- “Meituan” refers to Meituan, formerly known as Meituan Dianping, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange;
- “MPVs” refers to multi-purpose vehicle;
- “NEVs” refers to new energy passenger vehicles, primarily including (i) “BEVs,” which refers to battery electric passenger vehicles, (ii) “EREVs,” which refers to extended-range electric passenger vehicles, and (iii) “PHEVs,” which refers to plug-in hybrid electric passenger vehicles;
- “NOA” refers to navigation on advanced driver-assistance systems;

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- “ordinary shares” or “shares” refers to the Class A ordinary shares and Class B ordinary shares;
- “PCAOB” refers to Public Company Accounting Oversight Board, a nonprofit corporation established by the United States Congress to oversee the audits of public companies, among others;
- “Renminbi” or “RMB” refers to the legal currency of China;
- “SEC” refers to the United States Securities and Exchange Commission;
- “SUVs” refers to sport utility vehicles;
- “U.S. dollars” or “US\$” refers to the legal currency of the United States; and
- “VIEs” refers to variable interest entities, which are PRC companies conducting business operations in China that have entered into a series of contractual arrangements with their respective shareholders and our PRC subsidiaries and whose financial information has been consolidated into the consolidated financial statements of Li Auto Inc. under U.S. GAAP for accounting purposes; and “the VIEs” that Li Auto Inc. consolidates under U.S. GAAP include Beijing CHJ Information Technology Co., Ltd., or Beijing CHJ, and Beijing Xindian Transport Information Technology Co., Ltd., or Xindian Information.

Any discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

Our reporting currency is Renminbi. This annual report contains translations from Renminbi to U.S. dollars solely for the convenience of the reader. Unless otherwise stated, all translations from Renminbi to U.S. dollars were made at a rate of RMB6.9931 to US\$1.00, which was the exchange rate in effect as of December 31, 2025 as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any Renminbi amounts referred to in this annual report could have been, or could be, converted into U.S. dollars at any particular rate, or at all.

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events. The forward-looking statements are contained principally in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” and “Item 5. Operating and Financial Review and Prospects.” These forward-looking statements are made under the “safe-harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance, or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “might,” “will,” “would,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue,” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy, and financial needs. These forward-looking statements include statements relating to:

- our goals and strategies;
- our future business development, financial conditions, and results of operations;
- the expected outlook of the automotive market including the NEV market in China;
- our expectations regarding demand for and market acceptance of our vehicles;
- our expectations regarding our relationships with users, suppliers, third-party service providers, strategic partners, and other stakeholders;
- competition in our industry;
- government policies and regulations relating to our industry; and
- general economic and business conditions globally and in China.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview,” “Item 5. Operating and Financial Review and Prospects,” and other sections in this annual report. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

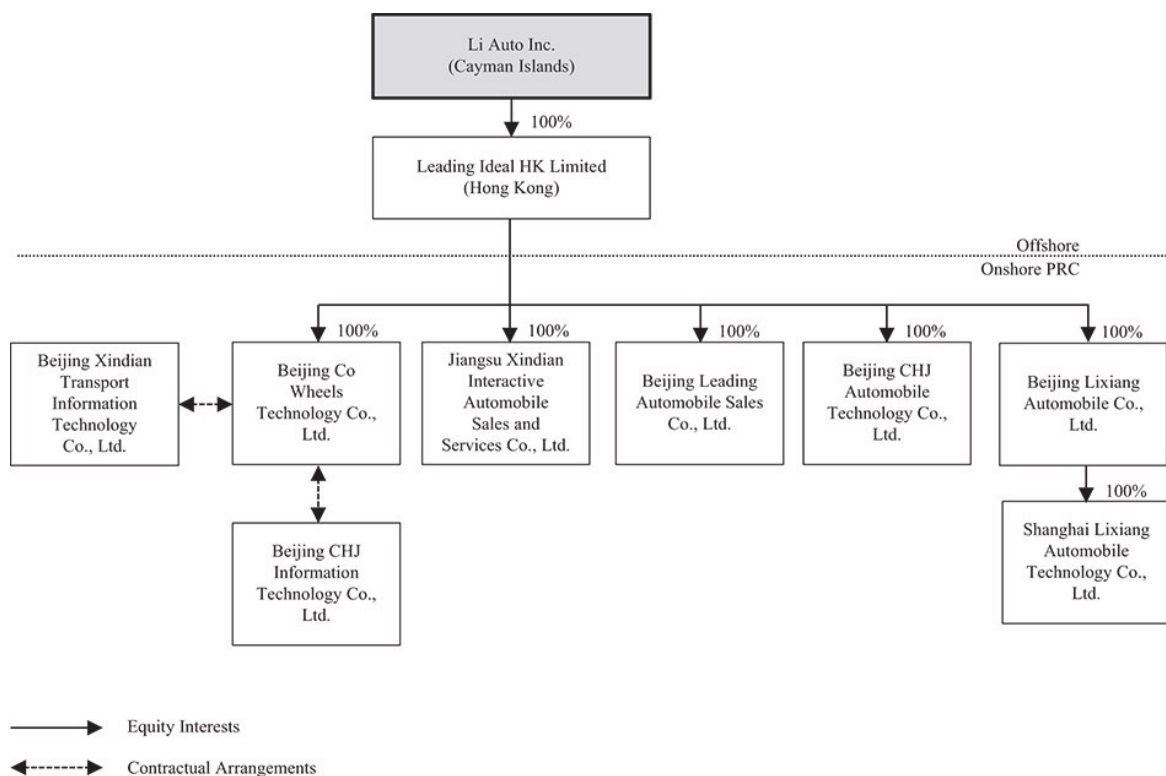
Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the VIEs and Their Shareholders

The following diagram illustrates our corporate structure, including our principal subsidiaries and the VIEs, as of the date of this annual report.



Li Auto Inc. is not a Chinese operating company but a Cayman Islands holding company with no equity ownership in the VIEs and their subsidiaries. We conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs, with which we have maintained contractual arrangements, and their subsidiaries. PRC laws and regulations restrict and impose conditions on foreign investment in value-added telecommunication services and certain other businesses. Accordingly, we operate these businesses in China through the VIEs and their subsidiaries, and rely on contractual arrangements among our PRC subsidiaries, the VIEs, and their nominee shareholders to direct the business operations of the VIEs. Such structure enables investors to share economic interests in China-based companies in sectors where foreign direct investment is prohibited or restricted under PRC laws and regulations. Revenues contributed by the VIEs accounted for less than 0.1% of our total revenues in 2023, 2024 and 2025. As used in this annual report, “Li Auto,” “we,” or “our company” refers to Li Auto Inc., its subsidiaries, and, in the context of describing the operations conducted through our PRC subsidiaries and the VIEs and consolidated financial information, the VIEs in China, including but not limited to Beijing CHJ and Xindian Information. Investors in the ADSs are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a holding company incorporated in the Cayman Islands, and may never directly hold equity interests in the VIEs in China.

A series of contractual agreements, including powers of attorney, business operation agreement, equity pledge agreements, exclusive consultation and service agreements, and equity option agreements, have been entered into by and among our PRC subsidiaries, the VIEs, and their nominee shareholders. Terms contained in each set of these contractual arrangements are substantially similar. As a result of the contractual arrangements, we (i) have the power to direct activities of the VIEs that most significantly affect their economic performance and (ii) receive economic benefits from the VIEs that could be significant to them. Accordingly, Li Auto Inc. is considered the primary beneficiary of the VIEs and their subsidiaries and has consolidated the financial information of these companies in its consolidated financial statements under the U.S. GAAP for accounting purposes. Neither Li Auto Inc. nor its investors have an equity ownership (including foreign direct investment) in, or control through such equity ownership of, the VIEs, and the contractual arrangements are not equivalent to an equity ownership in the business of the VIEs. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders.”

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs and their subsidiaries; the nominee shareholders of the VIEs may have potential conflicts of interest with us; and we may incur substantial costs to enforce the terms of the arrangements. As such, the VIE structure involves unique risks to investors of our Cayman Islands holding company. In addition, the legality and enforceability of the contractual agreements between our PRC subsidiaries, the VIEs, and their nominee shareholders, as a whole, have not been tested in a court of law in China. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely on contractual arrangements with the VIEs and their respective shareholders to maintain a controlling financial interest in the VIEs, which may not be as effective as direct ownership in providing operational control.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—The registered shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the VIEs and their nominee shareholders. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or, if adopted, what they would provide. If we or any of the VIEs is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required licenses, permits, registrations, or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures in accordance with applicable laws. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations,” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The interpretation and implementation of the PRC Foreign Investment Law and its implementation rules are evolving, and we cannot fully ascertain how they may impact the viability of our current corporate structure, corporate governance, and operations.”

Our corporate structure is subject to risks associated with our contractual arrangements with the VIEs. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries, and the VIEs and their subsidiaries, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a whole. The PRC regulatory authorities could disallow the VIE structure, which would likely result in a material change in our operations and cause the value of our securities to significantly decline or become worthless. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure.”

We face various legal and operational risks and uncertainties relating to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. The PRC government has issued statements and carried out regulatory actions relating to areas such as the use of contractual arrangements in certain industries, regulatory approvals on offshore offerings and listings by, and foreign investment in, China-based issuers, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy. We cannot assure you that we will be able to complete filing or obtain any specific regulatory approvals from the China Securities Regulatory Commission, or the CSRC, the Cyberspace Administration of China, or the CAC, or any other PRC government authorities for our overseas offerings and listings, as applicable. In addition, if future regulatory updates mandate clearance of cybersecurity review or other specific actions to be completed by China-based companies listed on foreign stock exchanges, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. Therefore, we face risks and uncertainties associated with these statements and regulatory actions, which may impact our ability to conduct certain businesses, accept foreign investments, or list and conduct offerings on a United States or another foreign exchange. These risks could result in a material adverse change in our operations and the value of the ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks relating to doing business in China, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China.”

The PRC government’s significant authority in regulating our industry and operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government’s oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

The progressive development of the legal system in China, including such regarding the enforcement and sometimes quick changes of PRC rules and regulations, could result in uncertainties that adversely affect our operations and the value of our Class A ordinary shares and the ADSs. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC legal system is developing, which could lead to uncertainties that adversely affect us.”

The Holding Foreign Companies Accountable Act

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, as amended by the Consolidated Appropriations Act, 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we filed our annual report on Form 20-F for the fiscal year ended December 31, 2022 and do not expect to be so identified after we file this annual report on Form 20-F.

Each year, the PCAOB will determine whether it can inspect and investigate completely registered public accounting firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely registered public accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a Commission-Identified Issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCAA. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in mainland China and Hong Kong. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries and the VIEs in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and the VIEs and their subsidiaries have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our subsidiaries and the VIEs and their subsidiaries in China, including, among others, a Survey and Mapping Qualification Certificate, a Value-Added Telecommunication Business Operating License for Internet Information Service, or ICP License, an Operating License for the Production and Dissemination of Radio and Television Programs, and the Radio Transmission Equipment Type Approval Certificates. Given the evolving interpretation and implementation of relevant laws and regulations and the evolving enforcement practices of the government authorities, we may be required to obtain additional licenses, permits, filings, or approvals for our business operations in the future. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be adversely affected by the complexity and changes in PRC regulations on automotive and internet-related businesses and companies.”

As of the date of this annual report, in connection with our past issuances of securities to foreign investors, under current PRC laws, regulations, and rules, we, our PRC subsidiaries, and the VIEs (i) are not required to obtain permissions from with the CSRC, (ii) are not required to go through cybersecurity review by the CAC, and (iii) have not received or were not denied such requisite permissions by any PRC authority.

However, the PRC government has promulgated certain regulations and rules to strengthened oversight and control over offerings that are conducted overseas by, and foreign investment in, China-based issuers. In connection with any future capital markets activities overseas, we may need to file with the CSRC, undergo a cybersecurity review conducted by the CAC, or meet other regulatory requirements that may be adopted in the future by PRC regulatory authorities. To the extent such requirements are or become applicable to us, we cannot assure you that we would be able to comply with them in a timely manner, or at all. Any failure to obtain or delay in obtaining the required approval or completing the required procedures could subject us to restrictions and penalties imposed by the CSRC, the CAC, or other PRC regulatory authorities, which could include fines and penalties on our operations in China, delays of or restrictions on the repatriation of the proceeds from our overseas offerings into China, or other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our Class A ordinary shares or the ADSs. For more detailed information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The PRC government’s oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares or ADSs.”

Cash and Asset Flows Through Our Organization

Li Auto Inc. is a Cayman Islands holding company with no operations of its own. We conduct our operations in China primarily through our subsidiaries and the VIEs and their subsidiaries in China. As a result, although other means are available for us to obtain financing at the holding company level, Li Auto Inc.'s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and license and service fees paid by the VIEs and their subsidiaries. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to Li Auto Inc. In addition, our PRC subsidiaries are permitted to pay dividends to Li Auto Inc. only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Furthermore, our PRC subsidiaries and the VIEs and their subsidiaries are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Holding Company Structure."

Uncertainties regarding the interpretation and implementation of the contractual arrangements with the VIEs could limit our ability to enforce such agreements. If the PRC government deems that our contractual arrangements constituting part of the VIE structure do not comply with PRC laws and regulations, or if current laws and regulations change or are interpreted differently in the future, our ability to settle amount owed by the VIEs under the VIE agreements may be seriously hindered.

Under PRC laws and regulations, our PRC subsidiaries and the VIEs and their subsidiaries are subject to certain restrictions with respect to payment of dividends or otherwise transfers of any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the PRC State Administration of Foreign Exchange, or SAFE. These restrictions are benchmarked against the paid-in capital, additional paid-in capital, and the statutory reserve funds of our PRC subsidiaries and the net assets of the VIEs in which we have no legal ownership. As of December 31, 2024 and 2025, the total amount of such restriction to which our PRC subsidiaries and the VIEs and their subsidiaries are subject was RMB20.1 billion, and RMB21.2 billion, respectively. For risks relating to the fund flows of our operations in China, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business."

Under PRC laws, Li Auto Inc. may fund our PRC subsidiaries only through capital contributions or loans and fund the VIEs or their subsidiaries only through loans, subject to satisfaction of applicable government registration and approval requirements. As of December 31, 2024 and 2025, the outstanding balance of the principal amount of loans by Li Auto Inc. to our intermediate holding companies, subsidiaries and the VIEs was RMB49.4 billion, and RMB49.4 billion, respectively.

Current PRC regulations permit our PRC subsidiaries, including Beijing Co Wheels Technology Co., Ltd., or Wheels Technology, to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries, the VIEs and their PRC subsidiaries are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiaries and the VIEs and their subsidiaries may also allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if Wheels Technology incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect Wheels Technology's ability to pay dividends and other distributions to us. Any limitation on the ability of our PRC subsidiaries, including Wheels Technology, to distribute dividends to us or on the ability of the VIEs to make payments to Wheels Technology may restrict our ability to satisfy our liquidity requirements.

Taxation on Dividends or Distributions

Li Auto Inc.'s source of dividend partly comes from dividends paid by its PRC subsidiaries, including Wheels Technology, which in part depends on payments received from the VIEs under the contractual arrangements with the VIEs. We have never declared or paid any dividend on our ordinary shares and we do not currently intend to pay dividends to shareholders or holders of ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. The undistributed earnings that are subject to dividend tax are expected to be indefinitely reinvested for the foreseeable future. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For PRC and United States federal income tax considerations of an investment in our ADSs, see "Item 10. Additional Information—E. Taxation."

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Under the current laws of the Cayman Islands, Li Auto Inc. is not subject to tax on income or capital gains. Upon payments of dividends to our shareholders, no Cayman Islands withholding tax will be imposed. For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within mainland China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	<u>Tax calculation ⁽¹⁾</u>
Hypothetical pre-tax earnings ⁽²⁾	100 %
Tax on earnings at statutory rate of 25% ⁽³⁾	(25)%
Net earnings available for distribution	75 %
Withholding tax at standard rate of 10% ⁽⁴⁾	(7.5)%
Net distribution to Parent/Shareholders	67.5 %

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.
- (2) Under the terms of the VIE agreements, our PRC subsidiaries may charge the VIEs for services provided to VIEs. These service fees will be recognized as expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminate in consolidation. For income tax purposes, our PRC subsidiaries and the VIEs file income tax returns on a separate company basis. The service fees paid are recognized as a tax deduction by the VIEs and as income by our PRC subsidiaries and are tax neutral.
- (3) Certain of our subsidiaries and the VIEs qualify for a 15% preferential income tax rate in China, or an income tax exemption for two years beginning from their first profitable calendar year since 2022, and a 50% reduction in the standard statutory rate for the subsequent three consecutive years. However, such tax benefit is subject to qualification, is temporary in nature, and may not be available in a future period when distributions are paid. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.
- (4) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign-invested enterprise to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the foreign-invested enterprise's immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the VIEs will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIEs exceed the service fees paid to our PRC subsidiaries (or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by PRC tax authorities), the VIEs could make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the VIEs. This would result in such transfer being non-deductible expenses for the VIEs but still taxable income for the PRC subsidiaries. Our management believes that there is only a remote possibility that this scenario would happen.

As of December 31, 2025, the VIEs and their subsidiaries did not pay any service fees to Wheels Technology.

Financial Information Relating to the VIEs

The following tables present the condensed consolidating schedules for our consolidated variable interest entities and other entities for the years and as of the dates indicated.

Condensed Consolidating Schedule of Statements of Income Information

	For the Year Ended December 31, 2025					Consolidated Totals
	Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	
			(RMB in thousands)			
Third-party revenues	—	112,272,534	3,804	36,173	—	112,312,511
Inter-company revenues ⁽¹⁾	—	573,721	7,586,221	1,010,264	(9,170,206)	—
Third-party cost	—	(90,841,490)	(481,487)	(4,476)	—	(91,327,453)
Inter-company cost	—	(7,052,318)	—	(295)	7,052,613	—
Third-party expenses	(33,461)	(15,234,858)	(5,656,411)	(581,445)	—	(21,506,175)
Inter-company expenses	—	(1,614,298)	(503,295)	—	2,117,593	—
Share of income from subsidiaries, and income of VIEs and VIEs' subsidiaries ⁽²⁾	1,095,363	1,896,675	411,236	—	(3,403,274)	—
Other income	62,536	1,486,352	180,853	88,511	—	1,818,252
Income before income tax	1,124,438	1,486,318	1,540,921	548,732	(3,403,274)	1,297,135
Income tax (expense)/benefit	—	(375,965)	355,754	(137,496)	—	(157,707)
Net income	1,124,438	1,110,353	1,896,675	411,236	(3,403,274)	1,139,428
Less: Net income attributable to noncontrolling interests	—	14,990	—	—	—	14,990
Net income attributable to shareholders of Li Auto Inc.	1,124,438	1,095,363	1,896,675	411,236	(3,403,274)	1,124,438

	For the Year Ended December 31, 2024					Consolidated Totals
	Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	
			(RMB in thousands)			
Third-party revenues	—	144,411,378	24,963	23,605	—	144,459,946
Inter-company revenues ⁽¹⁾	—	272,269	10,397,969	1,733,503	(12,403,741)	—
Third-party cost	—	(114,312,446)	(483,642)	(7,720)	—	(114,803,808)
Inter-company cost	—	(9,163,047)	(17,502)	(202)	9,180,751	—
Third-party expenses	(29,476)	(14,978,984)	(5,934,108)	(1,611,040)	(83,416)	(22,637,024)
Inter-company expenses	—	(3,126,729)	(174,967)	(4,721)	3,306,417	—
Share of income from subsidiaries, and income of VIEs and VIEs' subsidiaries ⁽²⁾	7,821,521	3,908,546	293,273	—	(12,023,340)	—
Other income	240,305	1,596,959	151,358	307,888	—	2,296,510
Income before income tax	8,032,350	8,607,946	4,257,344	441,313	(12,023,329)	9,315,624
Income tax expense	—	(773,537)	(348,797)	(148,040)	—	(1,270,374)
Net income	8,032,350	7,834,409	3,908,547	293,273	(12,023,329)	8,045,250
Less: Net income attributable to noncontrolling interests	—	12,900	—	—	—	12,900
Net income attributable to shareholders of Li Auto Inc.	8,032,350	7,821,509	3,908,547	293,273	(12,023,329)	8,032,350

For the Year Ended December 31, 2023					
Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and Subsidiaries	Eliminating Adjustments	Consolidated Totals
(RMB in thousands)					
Third-party revenues	—	123,847,956	—	3,376	123,851,332
Inter-company revenues ⁽¹⁾	—	276,005	11,129,769	2,643,402	(14,049,176)
Third-party cost	—	(96,019,319)	(323,732)	(11,530)	(96,354,581)
Inter-company cost	—	(7,865,495)	(5,323)	—	7,870,818
Third-party expenses	(44,419)	(13,481,777)	(5,284,417)	(1,275,066)	(20,089,874)
Inter-company expenses	—	(5,987,526)	(126,164)	(68,874)	6,182,564
Share of income from subsidiaries, and income of VIEs and VIEs' subsidiaries ⁽²⁾	11,716,065	8,348,144	2,146,866	—	(22,211,075)
Other income	32,493	1,101,328	811,144	1,099,921	—
Income before income tax	11,704,139	10,219,316	8,348,143	2,391,229	(22,211,064)
Income tax (expense)/benefit	(6)	1,601,731	—	(244,363)	—
Net income	11,704,133	11,821,047	8,348,143	2,146,866	(22,211,064)
Less: Net income attributable to noncontrolling interests	—	104,992	—	—	—
Net income attributable to shareholders of Li Auto Inc.	11,704,133	11,716,055	8,348,143	2,146,866	(22,211,064)

Condensed Consolidating Schedule of Balance Sheet Information

As of December 31, 2025					
Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and Subsidiaries	Eliminating Adjustments	Consolidated Totals
(RMB in thousands)					
Cash and cash equivalents	3,949,313	51,327,251	528	1,414,673	—
Restricted cash	—	212,946	—	3,368	—
Time deposits and short-term investments	—	40,499,596	—	3,831,811	—
Trade receivable, net	—	118,661	—	1,162	—
Amounts due from the Group companies ⁽⁴⁾	50,309,768	(202,132)	17,012,448	3,679,148	(70,799,232)
Inventories	—	8,752,439	—	—	—
Prepayments and other current assets	7,416	4,982,319	46,236	138,275	—
Investments in subsidiaries ⁽²⁾	24,338,730	24,478,195	—	—	(48,816,925)
Contractual interest in VIEs and VIEs' subsidiaries ⁽²⁾	—	—	8,771,151	—	(8,771,151)
Long-term investments	14,890	758,782	430,844	75,000	(430,844)
Property, plant and equipment, net ⁽³⁾	1	22,511,812	179,350	83,775	—
Operating lease right-of-use assets, net	—	8,505,827	24,364	569,122	—
Intangible assets, net ⁽³⁾	—	1,057,764	114,051	20,159	—
Goodwill	—	5,484	—	—	—
Deferred tax assets	—	3,319,331	525	14,350	—
Other non-current assets	—	1,574,851	17,400	162,986	—
Total assets	78,620,118	167,903,126	26,596,897	9,993,829	(128,818,152)
Short-term borrowings	5,982,366	235,379	—	—	—
Trade and notes payable	—	39,737,260	832,433	9,526	—
Amounts due to the Group companies ⁽⁴⁾	3,549	70,687,457	285,795	332,789	(71,309,590)
Amounts due to related parties	—	26,482	139	23	—
Deferred revenue, current	—	1,621,429	—	—	—
Operating lease liabilities, current	—	1,619,534	14,694	56,128	—
Accruals and other current liabilities	14,948	12,242,471	979,261	175,580	—
Long-term borrowings	—	3,299,203	—	—	—
Deferred revenue, non-current	—	624,734	—	—	—
Operating lease liabilities, non-current	—	5,628,955	5,476	624,526	—
Finance lease liabilities, non-current	—	348,506	—	—	—
Deferred tax liabilities	—	691,652	—	—	—
Other non-current liabilities	—	6,360,360	904	24,106	—
Total liabilities	6,000,863	143,123,422	2,118,702	1,222,678	(71,309,590)
Total shareholders' equity	72,619,255	24,779,704	24,478,195	8,771,151	(57,508,562)
Total liabilities and shareholders' equity	78,620,118	167,903,126	26,596,897	9,993,829	(128,818,152)

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	As of December 31, 2024					Consolidated Totals
	Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and Subsidiaries	Eliminating Adjustments	
	(RMB in thousands)					
Cash and cash equivalents	4,943,339	57,210,590	531	3,746,663	—	65,901,123
Restricted cash	—	3,463	—	3,386	—	6,849
Time deposits and short-term investments	2,613,125	41,783,722	—	2,507,701	—	46,904,548
Trade receivable	—	130,854	—	4,258	—	135,112
Amounts due from the Group companies ⁽⁴⁾	49,408,573	12,116,225	26,461,093	3,271,021	(91,256,912)	—
Inventories	—	8,185,604	—	—	—	8,185,604
Prepayments and other current assets	23,955	4,984,024	13,565	155,002	—	5,176,546
Investments in subsidiaries ⁽²⁾	20,111,191	21,882,046	—	—	(41,993,237)	—
Contractual interest in VIEs and VIEs' subsidiaries ⁽²⁾	—	—	8,244,617	—	(8,244,617)	—
Long-term investments	45,799	705,560	—	171,538	—	922,897
Property, plant and equipment, net ⁽³⁾	2	20,101,000	915,156	124,775	—	21,140,933
Operating lease right-of-use assets, net	—	7,519,723	191,911	612,329	—	8,323,963
Intangible assets, net ⁽³⁾	—	302,065	98,139	666,853	(152,106)	914,951
Goodwill	—	5,484	—	—	—	5,484
Deferred tax assets	—	2,537,752	1,301	3,127	—	2,542,180
Other non-current assets	—	1,860,190	30,982	297,716	—	2,188,888
Total assets	77,145,984	179,328,302	35,957,295	11,564,369	(141,646,872)	162,349,078
Short-term borrowings	—	281,102	—	—	—	281,102
Trade and notes payable	—	51,749,882	502,722	1,343,590	—	53,596,194
Amounts due to the Group companies ⁽⁴⁾	3,721	79,087,602	11,234,068	897,615	(91,223,006)	—
Amounts due to related parties	—	11,321	148	23	—	11,492
Deferred revenue, current	—	1,396,489	—	—	—	1,396,489
Operating lease liabilities, current	—	1,366,644	21,235	50,213	—	1,438,092
Finance lease liabilities, current	—	—	95,205	—	—	95,205
Accruals and other current liabilities	12,482	10,423,976	1,636,454	324,410	—	12,397,322
Long-term borrowings	6,254,897	1,896,701	—	—	—	8,151,598
Deferred revenue, non-current	—	720,531	—	—	—	720,531
Operating lease liabilities, non-current	—	5,051,746	16,216	667,776	—	5,735,738
Finance lease liabilities, non-current	—	346,914	296,070	—	—	642,984
Deferred tax liabilities	—	860,362	—	4,637	—	864,999
Other non-current liabilities	—	5,392,331	273,131	31,488	—	5,696,950
Total liabilities	6,271,100	158,585,601	14,075,249	3,319,752	(91,223,006)	91,028,696
Total shareholders' equity	70,874,884	20,742,701	21,882,046	8,244,617	(50,423,866)	71,320,382
Total liabilities and shareholders' equity	77,145,984	179,328,302	35,957,295	11,564,369	(141,646,872)	162,349,078

Condensed Consolidating Schedule of Cash Flow Information

For the Year Ended December 31, 2025					
Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
(RMB in thousands)					
Net cash (used in)/provided by inter-company transactions ⁽⁵⁾	—	(15,452,986)	14,442,722	1,010,264	—
Net cash provided by/(used in) transactions with external entities	166,907	(1,894,358)	(6,264,194)	(619,752)	—
Net cash provided by/(used in) operating activities	166,907	(17,347,344)	8,178,528	390,512	(8,611,397)
Net cash (used in)/provided by inter-company transactions ⁽⁶⁾	(2,497,737)	11,844,754	—	—	(9,347,017)
Other investing activities with external entities	1,416,010	(562,665)	(341,451)	(1,215,019)	—
Net cash (used in)/provided by investing activities	(1,081,727)	11,282,089	(341,451)	(1,215,019)	(9,347,017)
Net cash used in inter-company transactions ⁽⁶⁾	—	—	(7,837,077)	(1,509,940)	9,347,017
Other financing activities with external entities	14,661	752,741	—	—	767,402
Net cash provided by/(used in) financing activities	14,661	752,741	(7,837,077)	(1,509,940)	9,347,017

For the Year Ended December 31, 2024					
Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
(RMB in thousands)					
Net cash (used in)/provided by inter-company transactions ⁽⁵⁾	—	(5,708,550)	3,975,047	1,733,503	—
Net cash provided by/(used in) transactions with external entities	205,249	23,018,655	(6,598,239)	(692,505)	—
Net cash provided by/(used in) operating activities	205,249	17,310,105	(2,623,192)	1,040,998	15,933,160
Net cash provided by inter-company transactions ⁽⁶⁾	6,751,926	23,149,993	—	—	(29,901,919)
Other investing activities with external entities	(2,543,595)	(46,101,140)	(151,074)	7,658,640	—
Net cash provided by/(used in) investing activities	4,208,331	(22,951,147)	(151,074)	7,658,640	(29,901,919)
Net cash provided by/(used in) inter-company transactions ⁽⁶⁾	—	1,081	2,774,074	(32,677,074)	29,901,919
Other financing activities with external entities	(685,342)	269,694	—	—	—
Net cash (used in)/provided by financing activities	(685,342)	270,775	2,774,074	(32,677,074)	29,901,919

For the Year Ended December 31, 2023					
Li Auto Inc.	Other Subsidiaries	Primary Beneficiary of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
(RMB in thousands)					
Net cash (used in)/provided by inter-company transactions ⁽⁵⁾	—	(2,869,165)	225,763	2,643,402	—
Net cash provided by/(used in) transactions with external entities	56,515	62,188,526	(3,958,498)	(7,593,022)	—
Net cash provided by/(used in) operating activities	56,515	59,319,361	(3,732,735)	(4,949,620)	50,693,521
Net cash used in inter-company transactions ⁽⁶⁾	(3,589,329)	(15,616,488)	—	—	19,205,817
Other investing activities with external entities	2,137,626	133,450	(195,386)	(2,087,758)	—
Net cash used in investing activities	(1,451,703)	(15,483,038)	(195,386)	(2,087,758)	19,205,817
Net cash provided by inter-company transactions ⁽⁶⁾	—	—	3,926,604	15,279,213	(19,205,817)
Other financing activities with external entities	1,547,552	(862,167)	—	(500,000)	—
Net cash provided by/(used in) financing activities	1,547,552	(862,167)	3,926,604	14,779,213	(19,205,817)

Notes:

- (1) It mainly represents the elimination of the inter-company technical and other service fees.
- (2) It represents the elimination of the investment in our subsidiaries by Li Auto Inc. and contractual interests in the VIEs and VIEs' subsidiaries.
- (3) It represents the elimination of the unrealized profit from inter-company transfer of long-lived assets.
- (4) It represents the elimination of intercompany balances among Li Auto Inc., VIEs, and our subsidiaries. As of December 31, 2024 and 2025, there were no balances for management fees charged to VIEs. The amounts due from group companies and the amounts due to group companies represent the funds provided among Li Auto Inc., the VIEs, and our subsidiaries.
- (5) For the years ended December 31, 2023, 2024 and 2025, cash paid by subsidiaries to VIEs mainly for certain service fees were RMB2.6 billion, RMB1.7 billion, and RMB1.0 billion respectively. For the years ended December 31, 2023, 2024 and 2025, no management fees were paid by VIEs to the WFOE (pursuant to each management fee arrangement with the VIEs).

(6) For the years ended December 31, 2023, net cash provided by subsidiaries to VIEs were RMB15.3 billion. For the year ended December 31, 2024 and 2025, net cash provided by VIEs to subsidiaries were RMB32.7 billion and RMB1.5 billion.

A. *[Reserved]*

Selected Financial Data

The following selected consolidated statements of comprehensive (loss)/income data and selected consolidated cash flow data for the years ended December 31, 2023, 2024 and 2025 and the selected consolidated balance sheet data as of December 31, 2024 and 2025 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of comprehensive loss data and selected consolidated cash flow data for the years ended December 31, 2021 and 2022 and the selected consolidated balance sheet data as of December 31, 2021, 2022 and 2023 have been derived from our audited consolidated financial statements that are not included in this annual report. Our historical results are not necessarily indicative of results expected for future periods. You should read this selected financial data together with our consolidated financial statements and the related notes and information under “Item 5. Operating and Financial Review and Prospects” in this annual report. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

The following table sets forth our selected consolidated statements of comprehensive (loss)/income data for the years indicated.

	For the Year Ended December 31,					
	2021	2022	2023	2024	2025	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for share and per share data)					
Selected Consolidated Statements of Comprehensive (Loss)/Income Data:						
Revenues:						
—Vehicle sales	26,128,469	44,106,434	120,294,667	138,538,092	106,683,100	15,255,480
—Other sales and services	881,310	1,180,382	3,556,665	5,921,854	5,629,411	804,995
Total revenues	27,009,779	45,286,816	123,851,332	144,459,946	112,312,511	16,060,475
Cost of sales⁽¹⁾						
—Vehicle sales	(20,755,578)	(35,688,343)	(94,482,347)	(111,121,036)	(87,591,473)	(12,525,414)
—Other sales and services	(492,747)	(808,017)	(1,872,234)	(3,682,772)	(3,735,980)	(534,238)
Total cost of sales	(21,248,325)	(36,496,360)	(96,354,581)	(114,803,808)	(91,327,453)	(13,059,652)
Gross profit	5,761,454	8,790,456	27,496,751	29,656,138	20,985,058	3,000,823
Operating expenses:						
—Research and development ⁽¹⁾	(3,286,389)	(6,780,032)	(10,586,129)	(11,071,358)	(11,314,949)	(1,618,016)
—Selling, general and administrative ⁽¹⁾	(3,492,385)	(5,665,301)	(9,767,955)	(12,229,323)	(10,664,857)	(1,525,055)
—Other operating income, net	—	—	264,210	663,657	473,631	67,728
Total operating expenses.	(6,778,774)	(12,445,333)	(20,089,874)	(22,637,024)	(21,506,175)	(3,075,343)
(Loss)/Income from operations	(1,017,320)	(3,654,877)	7,406,877	7,019,114	(521,117)	(74,520)
Other income	864,508	1,495,522	3,044,886	2,296,510	1,818,252	260,007
(Loss)/Income before income tax	(152,812)	(2,159,355)	10,451,763	9,315,624	1,297,135	185,487
Net (loss)/income	(321,455)	(2,032,348)	11,809,125	8,045,250	1,139,428	162,935
Net (loss)/income attributable to ordinary shareholders of Li Auto Inc.	(321,455)	(2,012,215)	11,704,133	8,032,350	1,124,438	160,792
Weighted average number of ordinary shares						
Basic	1,853,320,448	1,941,230,998	1,967,863,759	1,993,191,951	2,015,070,194	2,015,070,194
Diluted	1,853,320,448	1,941,230,998	2,115,376,392	2,129,273,430	2,142,727,527	2,142,727,527
Net (loss)/earnings per share attributable to ordinary shareholders						
Basic	(0.17)	(1.04)	5.95	4.03	0.56	0.08
Diluted	(0.17)	(1.04)	5.55	3.79	0.54	0.08
Net (loss)/income	(321,455)	(2,032,348)	11,809,125	8,045,250	1,139,428	162,935
Total other comprehensive (loss)/income	(516,687)	1,327,761	(30,766)	53,128	(653,432)	(93,440)
Total comprehensive (loss)/income	(838,142)	(704,587)	11,778,359	8,098,378	485,996	69,495
Comprehensive (loss)/income attributable to ordinary shareholders of Li Auto Inc.	(838,142)	(684,454)	11,673,367	8,085,478	471,006	67,352

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,					
	2021	2022	2023	2024	2025	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Cost of sales	26,713	44,845	46,631	39,728	35,996	5,147
Research and development expenses	741,793	1,333,710	1,552,421	1,257,921	782,917	111,956
Selling, general and administrative expenses	332,850	674,610	779,637	1,333,256	438,841	62,753
Total	1,101,356	2,053,165	2,378,689	2,630,905	1,257,754	179,856

The following table sets forth our selected consolidated balance sheet data as of the dates indicated.

	As of December 31,					
	2021	2022	2023	2024	2025	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Balance Sheet Data:						
Cash and cash equivalents	27,854,224	38,478,016	91,329,030	65,901,123	56,691,765	8,106,815
Restricted cash	2,638,840	1,940,142	479	6,849	216,314	30,932
Time deposits and short-term investments	19,668,239	18,031,395	11,933,255	46,904,548	44,331,407	6,339,307
Total assets	61,848,913	86,537,951	143,467,471	162,349,078	154,295,818	22,064,007
Total liabilities	20,784,611	41,351,644	82,892,249	91,028,696	81,156,075	11,605,162
Total shareholders' equity	41,064,302	45,186,307	60,575,222	71,320,382	73,139,743	10,458,845
Total liabilities and shareholders' equity	61,848,913	86,537,951	143,467,471	162,349,078	154,295,818	22,064,007

The following table sets forth our selected consolidated cash flow data for the years indicated.

	For the Year Ended December 31,					
	2021	2022	2023	2024	2025	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands)					
Selected Consolidated Cash Flow Data:						
Net cash provided by/(used in) operating activities	8,340,385	7,380,266	50,693,521	15,933,160	(8,611,397)	(1,231,413)
Net cash used in investing activities	(4,257,244)	(4,364,661)	(12,068)	(41,137,169)	(703,125)	(100,546)
Net cash provided by/(used in) financing activities	16,709,533	5,639,392	185,385	(415,648)	767,402	109,737
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(472,129)	1,270,097	44,513	198,120	(452,773)	(64,746)
Net change in cash, cash equivalents and restricted cash	20,320,545	9,925,094	50,911,351	(25,421,537)	(8,999,893)	(1,286,968)
Cash, cash equivalents and restricted cash at the beginning of the year	10,172,519	30,493,064	40,418,158	91,329,509	65,907,972	9,424,715
Cash, cash equivalents and restricted cash at the end of the year	30,493,064	40,418,158	91,329,509	65,907,972	56,908,079	8,137,747

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risks Factors

Summary of Risk Factors

An investment in our ADSs or Class A ordinary shares involves significant risks. Below is a summary of material risks that we face, organized under headings. These risks are discussed more fully below.

Risks Relating to Our Business and Industry

- We may not be successful in the highly competitive China automotive market.
- We had net losses in the past and may not be able to maintain our profitability.
- Our vehicles may not perform in line with user expectations and may contain defects.
- We may not succeed in continuing to establish, maintain, and strengthen our brand, and our brand and reputation could be harmed by negative publicity with respect to us, our directors, officers, employees, shareholders, peers, business partners, or our industry in general.
- We could experience disruptions in supply of raw materials or components used in our vehicles from our third-party suppliers, some of which are our single-source suppliers for the components they supply.
- Our business depends substantially on the continued efforts of our executive officers, key employees, and qualified personnel, and our operations may be severely disrupted if we lose their services.
- Changes in PRC government policies that are favorable for NEVs or domestically manufactured vehicles could materially and adversely affect our business, financial condition, results of operations, and prospects.
- The current tensions in international trade and rising international political tensions may adversely affect our business, financial condition, and results of operations.
- A global shortage in the supply of semiconductor chips and memory components may disrupt our operations and adversely affect our business, results of operations, and financial condition.
- We may be compelled to undertake product recalls or other actions, which could adversely affect our brand image, financial condition, results of operations, and growth prospects.
- We may face challenges in expanding our business and operations internationally and our ability to conduct business in international markets may be adversely affected by legal, regulatory, political, and economic risks.

Risks Relating to Our Corporate Structure

- We are a Cayman Islands holding company with no equity ownership in the VIEs and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs, with which we have maintained contractual arrangements, and their subsidiaries. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company in the Cayman Islands, the VIEs, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of our consolidated VIEs and our company as a group.
- We rely on contractual arrangements with the VIEs and their respective shareholders to maintain a controlling financial interest in the VIEs, which may not be as effective as direct ownership in providing operational control.

- Our ability to enforce the equity pledge agreements between us and the VIEs' shareholders may be subject to limitations based on PRC laws and regulations.

Risks Relating to Doing Business in China

- Changes in China's economic, political, or social conditions, or government policies could have a material and adverse effect on our business and results of operations.
- The PRC legal system is developing, which could lead to uncertainties that adversely affect us.
- We may be adversely affected by the complexity and changes in PRC regulations on automotive and internet-related businesses and companies.
- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.
- Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.
- Our leased property interest may be defective and our right to lease the properties affected by such defects challenged, which could cause significant disruption to our business.
- The PRC government's oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares or ADSs.
- The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections.
- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in mainland China and Hong Kong. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Relating to our ADSs and Class A Ordinary Shares

- The trading price of our Class A ordinary shares or ADSs has been and may be volatile, which could result in substantial losses to investors.
- Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares or ADSs may view as beneficial.

Risks Relating to Our Business and Industry

We may not be successful in the highly competitive China automotive market.

The China automotive market is highly competitive. We compete with ICE vehicles and new energy vehicles. Within the NEV market, traditional automotive OEMs, including both domestic automakers and joint venture enterprises, command a significant portion of the market share and enjoy established brand recognition, extensive distribution networks and massive manufacturing scale. Our EREVs are also subject to increasingly fierce competition with more entrants into this segment. Many of our current and potential competitors or new market entrants have significantly greater financial, technical, manufacturing, marketing and branding, talents, and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, marketing, sales, and support of their vehicles. For example, we believe that BYD has a dominant market share in the NEV market, in particular for NEVs priced under RMB200,000 (US\$28,600), and Tesla holds a dominant position in the segment for NEVs priced above RMB 200,000 (US\$28,600). Meanwhile, experienced entrants from the smart phone industry, such as Huawei's Harmony Intelligent Mobility Alliance (HIMA) and Xiaomi, are further intensifying the competitive landscape of the NEV market in China, with their popular models reaching a significant number of deliveries.

We expect competition in the China automotive market to intensify in the future in light of intense price competition and phase-out of government subsidies. In January and February 2026, the NEV market in China experienced a year-on-year decline primarily due to an influx of market supply and the continued phase-out of government subsidiaries. Such market softening highlights the volatile nature of consumer demand and the identifying competitive pressures we face. Factors affecting competition include, among others, technological innovation, product quality and safety, product pricing, sales efficiency, manufacturing efficiency, quality of services, branding, and design and styling. Increasing competition may lead to lower vehicle unit sales and increasing inventory, which may result in downward price pressure and may adversely affect our business, financial condition, results of operations, and prospects. We cannot assure you that we will be able to compete against other vehicle brands for market share in existing and new markets. If products from our competitors successfully compete with or surpass the quality or performance of our vehicles at more competitive prices, our profitability and results of operations may be materially and adversely affected.

We had net losses in the past and may not be able to maintain our profitability.

Although we generated net income of RMB11.8 billion, RMB8.0 billion and RMB1.1 billion (US\$162.9 million) in 2023, 2024 and 2025, respectively, we incurred net losses before 2023. In addition, despite achieving profitability for the full year 2025, we incurred a net loss of RMB624.4 million in the third quarter of 2025. We recorded loss from operations of RMB521.1 million (US\$74.5 million) in 2025, compared with income from operations of RMB7.0 billion in 2024 and income from operations of RMB7.4 billion in 2023. While we had net cash provided by operating activities of RMB50.7 billion, RMB15.9 billion in 2023 and 2024, respectively, we had net cash used in operating activities of RMB8.6 billion (US\$1.2 billion) in 2025. We made capital expenditures of RMB6.5 billion, RMB7.7 billion and RMB4.2 billion (US\$601.4 million) in 2023, 2024 and 2025, respectively. The pressure on us to maintain profitable may be exacerbated by our contractual obligations, including capital commitments, operating lease obligations, purchase obligations, finance leases, and borrowings. We expect to continue to invest in research and development, production ramp-up of our new models, development of our manufacturing bases, and expansion of retail stores, showrooms, delivery and servicing centers and charging network to further expand our business. These investments may not result in revenue increase, or at all, and we may not be able to maintain our profitability and could incur net losses again in the future. We may not generate sufficient revenues or incur substantial losses for a number of reasons, including lack of demand for our vehicles, increasing competition, and other risks discussed herein, and we may incur unforeseen expenses, or encounter difficulties, complications, or delays in deriving revenues or maintaining profitability.

Our vehicles may not perform in line with user expectations and may contain defects.

Our vehicles may not perform in line with user expectations. Any product defects or any other failure of our vehicles to perform or operate as expected could harm our reputation and result in negative publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand, and significant expenses including warranty and other items that could materially and adversely affect our business, financial condition, results of operations, and prospects.

Our vehicles may contain design and manufacturing defects. The design and manufacturing of our vehicles are complex and could contain latent defects and errors, which may cause our vehicles not to perform or operate as expected or even result in property damage or personal injuries. For instance, we voluntarily recalled 11,411 of 2024 Li MEGA in the third quarter of 2025 due to certain hardware-related safety risks. Furthermore, our vehicles use a substantial amount of third-party and in-house software codes and complex hardware to operate. We rely mostly on third-party suppliers for the provision and development of many of the key components and materials used in our vehicles. Advanced technologies are inherently complex, and defects and errors may be revealed over time. Our control over the long-term consistent performance of third-party services and systems is limited. We also have limited control over the effectiveness of our third-party suppliers' quality control procedures. While we have performed extensive internal testing on our vehicles' software and hardware systems, we have a limited frame of reference by which to assess the long-term performance of our systems and vehicles. We cannot assure you that we will be able to detect and fix any defects in the vehicles on a timely basis, or at all.

In addition, we have limited operating history in testing, delivering, and servicing our vehicles. Although we have established rigorous protocols in each process of testing, delivering, and servicing of our vehicles where manual operations are required, there could be maloperation, negligence, or failure to follow protocols by our employees or third-party service providers. Such human error could result in failure of our vehicles to perform or operate as expected. We cannot assure you that we will be able to completely prevent human errors.

Furthermore, any technical defects in or significant performance issues related to our EREV powertrain or 5C super charging technologies and our autonomous driving system may weaken user confidence in our vehicles. If any of our vehicles fail to perform or operate as expected, whether as a result of human error or otherwise, we may need to delay deliveries, initiate product recalls, provide servicing or updates under warranty at our expense, and face potential lawsuits, which could adversely affect our brand, business, financial condition, and results of operations.

We may not succeed in continuing to establish, maintain, and strengthen our brand, and our brand and reputation could be harmed by negative publicity with respect to us, our directors, officers, employees, shareholders, peers, business partners, or our industry in general.

Our business and prospects are affected by our ability to develop, maintain, and strengthen our brand. If we fail to do so we may lose the opportunity to build a critical mass of users. Promoting and positioning our brand will likely depend significantly on our ability to provide high quality vehicles and services and engage with our users as intended, and we have limited experience in these areas. In addition, we expect that our ability to develop, maintain, and strengthen the brand will depend heavily on the success of our branding efforts. We market our brand through media, word-of-mouth, events, and advertising. Such efforts may not achieve the desired results. If we do not develop and maintain a strong brand, our business, financial condition, results of operations, and prospects will be materially and adversely affected.

Our reputation and brand are vulnerable to many threats that can be difficult or impossible to predict, control, and costly or impossible to remediate. From time to time, our vehicles are reviewed by media or other third parties. Any negative reviews directly on our vehicles, whether factual or not, or reviews that compare us unfavorably to competitors could adversely affect consumer perception about our vehicles. Negative publicity about us, such as alleged misconduct, unethical business practices, or other improper activities, or rumors relating to our business, directors, officers, employees, or shareholders, or negative publicity about third parties that use the same or similar brand name as ours, can harm our reputation, business, and results of operations, even if they are baseless, irrelevant, or satisfactorily addressed. These allegations, even if unproven or meritless, may lead to inquiries, investigations, or other legal actions against us by regulatory or government authorities as well as private parties. Any regulatory inquiries or investigations and lawsuits against us, perceptions of inappropriate business conduct by us or perceived wrongdoing by any member of our management team, among other things, could substantially damage our reputation, and cause us to incur significant costs to defend ourselves. Any negative market perception or publicity regarding our suppliers or other business partners that we closely cooperate with, or any regulatory inquiries or investigations and lawsuits initiated against them, may also have an impact on our brand and reputation, or subject us to regulatory inquiries or investigations or lawsuits. In addition, our brand and reputation could be significantly impacted by the public reaction on the statements and social media activities of our management team, including our founder. Any controversial remarks or perceived inappropriate conduct may lead to negative publicity and adversely affect investor and consumer confidence.

Moreover, any negative media publicity about the auto industry, especially the NEV industry, or product or service quality problems of other automakers in the industry in which we operate, including our competitors, may also negatively impact our reputation and brand. In particular, given the popularity of social media, such as Weixin, Douyin, and Weibo in China, any negative publicity, whether true or not, such as road accidents, vehicle self-ignition, or other perceived or actual safety issues, could quickly proliferate and harm user perceptions and confidence in our brand. Perceived or actual concerns on battery deterioration that are often associated with NEVs could also adversely affect user confidence in our vehicles. If we are unable to maintain a good reputation or further enhance our brand recognition, our ability to attract and retain users, third-party partners, and key employees could be harmed and, as a result, our business, financial position, and results of operations could be materially and adversely affected.

We could experience disruptions in supply of raw materials or components used in our vehicles from our third-party suppliers, some of which are our single-source suppliers for the components they supply.

We collaborate with various third-party suppliers for sourced parts, including battery cells and semiconductor chips, to build our vehicles. Some of the third-party suppliers are currently our single-source suppliers selected from two or more suppliers that are readily available in the market for these components, and we expect that this may continue for our future vehicles consistent with market practice. We also rely on key raw materials, such as steel and aluminum, sourced from our third-party suppliers. The prices for these raw materials may fluctuate depending on factors beyond our control, including market conditions and global demand for these materials, and thus could adversely affect our business, financial condition, and results of operations. The supply chain exposes us to multiple potential sources of delivery failure or component shortages. We may still experience supply chain constraints as China's automotive industry is undergoing a structural change that is leading to increased demand for advanced components and chips, many of which are used in our vehicles. While we are exploring strategic investments and long-term supply agreements to secure our battery supply, these efforts may not ultimately succeed in mitigating the systemic risks of industry-wide shortages. Notably, since the latter half of 2025, the industry-wide shortage of advanced battery cells, driven by surging demand for long-range NEVs and infrastructure deployment, has created significant challenges for our production ramp-up. Such supply-side constraints, if prolonged, could lead to increased procurement costs or delays in fulfilling our order backlog. For example, starting in late 2025, we have experienced significant delivery delays for our Li i6 model due to supply constraints for certain core components, particularly the battery cells. In addition, the current tension in international trade and politics, including various restrictions related to the Chinese semiconductor industry imposed by the U.S. government, may also adversely affect the supply of our chips. In the past, we adjusted our delivery outlook and may continue to make similar adjustment in the future due to various reasons, such as supply chain constraints or insufficient consumer demand, and such adjustments may have a negative impact on the prices of our Class A ordinary shares and the ADSs.

We do not control our third-party suppliers or their business practices. Accordingly, we cannot assure you that the quality of the components manufactured by them will be consistent and maintained to a high standard. Any defects of or quality issues with these components or any noncompliance incidents associated with these third-party suppliers could result in quality issues with our vehicles and hence compromise our brand image and results of operations. Additionally, we cannot assure you of third-party suppliers' compliance with ethical business practices, such as environmental responsibilities, fair wage practices, and compliance with child labor laws, among others. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and results in delayed delivery of our products, product shortages, or other disruptions of our operations.

Furthermore, qualifying alternate third-party suppliers or developing our own replacements for certain highly customized components of our vehicles may be time consuming and costly. Any disruption in the supply of components, whether or not from a single-source supplier, could temporarily disrupt production of our vehicles until an alternative supplier is fully qualified by us or is otherwise able to supply us the required material. We cannot assure you that we would be able to successfully retain alternative third-party suppliers or supplies on a timely basis, on acceptable terms, or at all. Changes in business conditions, force majeure, government changes, or other factors beyond our control or anticipation, could also affect our third-party suppliers' ability to deliver components to us on a timely basis. Moreover, if we experience a significant increase in demand or need to replace our existing third-party suppliers, we cannot assure you that additional supplies will be available when required on terms that are favorable to us, or at all, or that any third-party supplier would allocate sufficient supplies to us in order to meet our requirements or fill our orders in a timely manner. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, and prospects.

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

Our success depends substantially on the continued efforts of our executive officers and key employees with expertise in various areas. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. As we build our brand and become more well-known, the risk that competitors or other companies may poach our talent increases. Our industry is characterized by high demand and intense competition for talent, in particular with respect to qualified talent in the areas of vehicle intelligence, autonomous driving, embodied AI, foundation models and robotics, and therefore we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. In 2025, we experienced significant turnover among managers in our core business departments. As these individuals possess critical know-how regarding our core technologies and strategic planning, their departures—especially if they join our competitors—could undermine our competitive advantages and materially and adversely affect our business prospects and results of operations.

In addition, because our vehicles are based on different technology platforms from traditional ICE vehicles, individuals with sufficient training in such vehicles may not be available to hire, and we will need to expend significant time and expense training the employees we hire. We also require sufficient talent in areas such as software development. Furthermore, as our company is rapidly evolving, our ability to train and integrate new employees into our operations may not meet the growing demands of our business, which may materially and adversely affect our ability to grow our business and our results of operations.

If any of our executive officers and key employees terminates his or her services with us, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train, and retain qualified personnel. We have not obtained any “key person” insurance on our key personnel. If any of our executive officers or key employees joins a competitor or forms a competing company regardless of whether non-competition agreements are in place and enforceable, we may lose users, know-how and key professionals and staff members. To the extent permitted by laws, each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, if any dispute arises between our executive officers or key employees and us, the non-competition provisions contained in their non-compete agreements may not be enforceable, especially in China, where these executive officers reside, on the ground that we have not provided adequate compensation to them for their non-competition obligations, which is required under PRC laws.

Changes in PRC government policies that are favorable for NEVs or domestically manufactured vehicles could materially and adversely affect our business, financial condition, results of operations, and prospects.

The growth of our business benefits from PRC government policies at central and local levels that support the development of NEVs and domestically manufactured vehicles.

The PRC government has been implementing strict vehicle emission standards for ICE vehicles. On May 30, 2025, the State Administration for Market Regulation, or the SAMR, and the National Standardization Administration jointly issued the Electric Vehicle Energy Consumption Standards Part 1: Passenger Vehicles, effective on January 1, 2026, to regulate electric vehicles regarding their energy efficiency. Our EREVs are equipped with both an ICE-based range extension system and electric motors and are thus required to comply with both standards. If the electric vehicle energy consumption standards and vehicle emission standards become significantly stricter, we may incur significant costs to obtain advanced energy technology to upgrade our vehicles or design new vehicles if we are able to at all, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

In addition, changes in classification of NEVs and license plate policies have affected, and may continue to affect our business. In certain cities in China, municipal governments impose quotas and lottery or bidding systems to limit the number of license plates issued to ICE vehicles, but exempt NEVs from these restrictions to incentivize the development of the NEV market. Nevertheless, our EREVs sold in Beijing and Shanghai are ineligible to enjoy the exemptions from the license plate restrictions available to the BEVs, which may have reduced the demand for EREVs in Beijing and Shanghai, two of the major markets for our vehicles, and the BEVs in Beijing are also affected by long queues for license plates. There is no assurance that other municipal governments will not adopt similar restrictive policies on EREVs or even BEVs as NEV penetration continues to rise. Changes in government policies on the classification of NEVs and license plates, at a local or central level, may materially and adversely affect the demand for our existing and future EREVs, which in turn could materially and adversely affect our business, results of operations, financial conditions, and prospects.

Furthermore, changes in government incentives or subsidies to support NEVs could adversely affect our business. Favorable government incentives and subsidies enjoyed by NEVs have been decreasing. China's central government phased out the subsidies for purchasers of NEVs and the national-level subsidies for NEVs ceased as of the date of this annual report. See "Item 4. Information on the Company—B. Business Overview—Regulations—Favorable Government Policies Relating to NEVs in China—Government Subsidies for NEV Purchasers" for details. In December 2025, China's central government introduced policies to encourage consumers to replace their old vehicles with new NEVs in 2026 by offering subsidies. For example, customers who replace their existing vehicles that are registered before specified dates are eligible to have subsidies when purchasing new NEVs. The local governments in China have also been implementing incentives and subsidy policies for consumers of NEVs for replacement purposes. However, if these favorable incentives and subsidies are scaled back in the future, consumer willingness to purchase NEVs may decline, which could negatively impact our vehicle sales.

We cannot assure you that any further changes in regulatory policies would be favorable to our business. Furthermore, any reduction, elimination, or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of NEVs, fiscal tightening, or other factors may affect government incentives or subsidies and result in the diminished competitiveness of the NEV industry generally.

Our vehicles sales are also affected by government policies, such as tariffs on imported cars and removal of restriction on foreign ownership of NEV automakers and ICE passenger automakers. As a result, foreign NEV competitors and foreign ICE automakers could build wholly-owned manufacturing facilities in China without the need for a domestic joint venture partner. For example, Tesla has built a factory to manufacture electronic vehicles in Shanghai without a joint venture partner. These changes could intensify market competition and reduce our pricing advantage, which in turn could materially and adversely affect our business, results of operations, financial conditions, and prospects.

The current tensions in international trade and rising international political tensions may adversely affect our business, financial condition, and results of operations.

In recent years, there have been heightened trade and political tensions in international relations, particularly between the United States and China. These tensions have affected both diplomatic and economic ties between the two countries and created uncertainties to the international economy as a whole. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between major economies. The existing tensions and any further deterioration in the relationship between the United States and China and between other countries may have a negative impact on the general, economic, political, and social conditions around the globe, United States and China in particular, and thus adversely impact our business, financial condition, and results of operations.

Tensions between the United States and China have led to additional or higher tariffs imposed by the United States on products imported from China and restrictions on the sale of certain products into the United States, and such tensions have been intensifying since early 2025. China has responded by imposing, and proposing to impose, additional or higher tariffs on products imported from the United States, among other measures. These actions may materially and adversely affect international trade, global financial markets, and the stability of the global economic condition. As of the date of this annual report, there is still a high degree of uncertainty surrounding U.S. tariff policy, how it will be implemented, and how other countries will react to it. It also remains uncertain whether increased tariffs and trade tensions will create further disruptions and uncertainties to the international trade and lead to a downturn to the global economy.

We depend on parts and components from suppliers, some of which are overseas. In addition, certain of our technologies, such as technologies relating to chips, artificial intelligence, and autonomous driving applications, could be subject to restrictions by the government of the United States and other jurisdictions in the future. Therefore, government policies restricting international trade and investments may affect the demand for our vehicles, impact the competitive position of our products, and prevent us from being able to sell products in certain countries.

If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. In recent years, the U.S. Department of Commerce has introduced restrictions related to semiconductor, semiconductor manufacturing, supercomputer, and advanced computing items and end uses in China. These sanctions and export controls could adversely affect us and our supply chain, business partners, or customers. For example, on January 14, 2025, the U.S. Department of Commerce's Bureau of Industry and Security announced a final rule prohibiting certain transactions involving the sale or import of connected vehicles integrating specific pieces of hardware and software, or those components sold separately, with a sufficient nexus to the PRC or Russia. The term of "connected vehicles" is broadly defined to include most passenger vehicles with smart functions. The United States government has also increased the tariff rate on Chinese EVs from 25% to 100% since September 2024. In addition, the European Commission also increased the tariffs on Chinese EVs with individualized rates for different brands to up to 45.3% in October 2024. Although we do not currently export vehicles to the United States or the European Union, such restrictions in the United States, the European Union and elsewhere due to trade or political tensions may adversely affect us and our supply chain, business partners, or customers.

Export control measures may also affect our supply chain and technology development. The U.S. government has issued new rules that expanded the definition of military end use and eliminated the applicability of certain license exceptions for exports to countries including China, thereby expanding the export license requirements for U.S. companies to sell certain items to companies in China that have operations that could support military end uses. The U.S. government has also broadened the restrictions on the sale of goods manufactured outside the United States that are produced using certain controlled U.S.-origin technology or software to companies on a special list, and the restrictions on the use of U.S.-origin semiconductor manufacturing equipment that produces semiconductor devices for companies on the special list. In September 2025, the Bureau of Industry and Security released an interim final rule that extended export restrictions to non-U.S. entities owned 50% or more, directly or indirectly, individually or in aggregate, by listed parties designated on the Entity List, the Military End User List, and under certain OFAC sanctions programs. On October 30, 2025, following a series of negotiations aimed at reducing trade tensions between the United States and China, the United States announced a one-year pause of this interim final rule, which went into effect on November 10, 2025. As we depend on parts and components from suppliers, some of which are overseas, tariffs and export control measures by the PRC, U.S., or any other government or other trade tensions or unfavorable trade policies may affect the costs or performance of our products. For example, as the restrictions on the use of certain controlled U.S.-origin technology or software and other U.S. export control laws and regulations continue to expand and evolve, future U.S. export controls may materially affect or target some of our significant suppliers or customers, in which event our business may be affected if we fail to promptly secure alternative sources of supply or demand on terms acceptable to us.

In addition, the United States government has taken efforts to limit the outbound U.S. investments to China. On August 9, 2023, the Biden administration of the United States released an executive order directing the Department of Treasury to create an outbound foreign direct investment review program that would require reporting on or (in more narrow circumstances) prohibit investments by U.S. persons involving “covered national security technologies and products.” On October 28, 2024, the Department of Treasury issued a final rule to implement the executive order, providing details on technical specifications and other aspects of the operative regulations, which came into effect on January 2, 2025. This is referred to as the Outbound Investment Rule. The Outbound Investment Rule imposes investment prohibitions and notification requirements on U.S. persons for a wide range of investments in entities associated with “countries of concern,” currently only China, that are engaged in activities relating to (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. These entities are collectively defined as “Covered Foreign Persons.” U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, transactions involving Covered Foreign Persons that are defined as “covered transactions,” although the Outbound Investment Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities. The Outbound Investment Rule introduces new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us. We do not believe we would be defined as a Covered Foreign Person under the Outbound Investment Rule because we do not engage in a “covered activity” (as defined in the Outbound Investment Rule) or otherwise meet the definition of Covered Foreign Persons provided in the Outbound Investment Rule. However, there is no assurance that the U.S. Department of Treasury will take the same view as ours. If we were to be deemed a “Covered Foreign Person,” and if U.S. persons were to engage in a “covered transaction” (as defined under the Outbound Investment Rule) that involves the acquisition of our equity interests, such U.S. persons may need to make a notification pursuant to the Outbound Investment Rule. In addition, even though U.S. persons’ acquisitions of publicly traded securities (such as our ADSs) will be exempted from the scope of covered transactions under the Outbound Investment Rule, the rule could still limit our ability to raise capital or contingent equity capital from U.S. investors given that the relevant laws, regulations, and policies continue to evolve and we cannot rule out the possibility of being deemed a Covered Foreign Person in the future due to different views taken by the U.S. Department of Treasury, potential amendments to the Outbound Investment Rule or the introduction of additional regulations. For example, on February 21, 2025, the White House released President Trump’s “America First Investment Policy” memorandum, outlining several initiatives to incentivize investment from U.S. allies and partners while restricting investments involving “foreign adversaries,” including China. Among other things, the policy aims to expand the industry sectors covered by the U.S. outbound investment regulations and supplement outbound restrictions through the imposition of sanctions. On December 18, 2025, the Comprehensive Outbound Investment National Security Act of 2025, or the COINS Act, was signed into law. The COINS Act will keep the core of the Outbound Investment Rule unchanged while expanding its scope and coverage in certain respects. The COINS Act will not take effect until the Treasury issues new regulations (subject to notice and comment), which it must do by March 13, 2027. As such, the Treasury may further amend or expand existing prohibitions and restrictions in accordance with the COINS Act. Any such expansion may further deepen the uncertainties for cross-border collaborations, investments, and funding opportunities for China-based issuers including us. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects, and our ADSs may significantly decline in value.

Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities across the globe, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on the demand of our vehicles, and thus negatively affect our business, prospects, financial condition, and results of operations.

A global shortage in the supply of semiconductor chips and memory components may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Since the second half of 2025, the global semiconductor market has experienced significant supply tightness and price volatility in memory components, such as DRAM and NAND flash, which are essential for our smart cockpit and autonomous driving systems. This shortage is primarily driven by the surging demand for high-performance computing and AI infrastructure, which has severely strained global semiconductor production capacity and led to increased procurement costs. We cannot assure you that we will be able to continue to obtain sufficient quantity of memory components or other semiconductor components at reasonable costs, or at all. Any sustained shortage or price hike in these components could increase our cost of sales, compress our gross margins, and delay our vehicle production and deliveries.

In addition, escalating international geopolitical tensions could materially and adversely affect the supply of semiconductor chips. Our current high-end models rely on chips produced by NVIDIA to a great extent, and if the supply of NVIDIA chips were to be negatively affected by such geopolitical tensions, and we fail to find alternative suppliers in time, or at all, our production and deliveries could be materially disrupted. Furthermore, while we are developing proprietary chips intended for deployment in our next-generation high-end models, the contract manufacturing of such chips is dependent on a limited number of advanced foundries, and geopolitical tensions could disrupt our access to these foundry partners, delay production timelines, or otherwise impair our ability to bring self-developed chips to market as planned. See “—The current tensions in international trade and rising international political tensions may adversely affect our business, financial condition, and results of operations.”

Many of the semiconductor components used in our vehicles are also purchased from a single source, although we reserve the flexibility to obtain components from multiple sources. Switching to alternative suppliers could be time consuming and costly. We note that similar supply disruptions have occurred in the past. For example, from October 2020 through the end of 2022, automotive semiconductor supply experienced a global shortage due to the COVID-19 pandemic, which adversely affected our production and deliveries during that period.

We may be compelled to undertake product recalls or other actions, which could adversely affect our brand image, financial condition, results of operations, and growth prospects.

We may be subject to adverse publicity, damage to our brand, and costs for recalls of our vehicles. We may at various times, voluntarily or involuntarily, initiate a recall if any of our vehicles, including any systems or parts sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations. For example, we voluntarily recalled 11,411 of our 2024 Li MEGA in the third quarter of 2025 due to certain hardware-related safety risks. Such recalls, whether voluntary or involuntary, could involve significant expense and could adversely affect our brand image in our target markets, as well as our business, financial condition, results of operations, and growth prospects.

We may face challenges in expanding our business and operations internationally and our ability to conduct business in international markets may be adversely affected by legal, regulatory, political, and economic risks.

We face challenges and risks associated with expanding our business and operations globally into new geographic markets. Government policies restricting international trade and investments may affect the demand for our vehicles, impact the competitive position of our products, and prevent us from being able to sell vehicles in certain countries or significantly increase our costs. For example, in the EU market, the European Commission concluded its anti-subsidy investigations and increased tariffs on Chinese EVs with individualized rates for five years to up to 45.3% in October 2024. These countervailing duties may be extended for successive five-year periods following an expiry review. The European Union anti-subsidy investigations, the resulting tariffs, and other similar investigations and tariffs in international markets may adversely affect the imports of BEVs from China, such as ours, into international markets and negatively affect our competitiveness if we decide to enter into the EU market.

Similar tariffs or other trade policies that negatively affect us in other jurisdictions may have a negative impact on us in a similar way. In the U.S. market, on January 14, 2025, the U.S. Department of Commerce’s Bureau of Industry and Security announced a final rule prohibiting certain transactions involving the sale or import of connected vehicles. In addition, in September 2024, the office of the U.S. Trade Representative increased the tariffs for Chinese EVs from 25% to 100%. In April 2025, President Trump imposed 10% tariff on all countries and individualized higher tariff rates on a large number of countries, including a 34% additional tariff on China which was later increased by another 50% in response to China’s imposition of additional tariff against the United States. The increased tariffs further impose additional challenges and constraints on any future international expansion to the United States we may undertake, although we do not currently sell vehicles in the United States.

New geographic markets may have competitive conditions, user preferences, and discretionary spending patterns that are more difficult to predict or satisfy than our existing markets. In certain markets, we have relatively little operating experience and may not benefit from any first-to-market advantages or otherwise succeed. We also may face protectionist policies that could, among other things, hinder our ability to execute our business strategies and place us at a competitive disadvantage relative to domestic companies. Local companies may have a substantial competitive advantage because of their greater understanding of, and focus on, the local users, as well as their more established local brand names, requiring us to build brand awareness in that market through greater investments in advertising and promotional activities. International expansion may also require significant capital investment, which could strain our resources and adversely impact current performance, while adding complexity to our current operations. We are subject to the laws and regulations of the jurisdictions in which we operate. If any of our overseas operations, or our affiliates or agents, violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, financial condition, and results of operations.

In addition, we may face operational issues that could materially and adversely affect our reputation, business, financial condition, and results of operations, if we fail to address certain factors including, but not limited to, the following:

- lack of acceptance of our products and services, and challenges of localizing our offerings to appeal to local tastes;
- conforming our products to regulatory and safety requirements and charging and other electric infrastructures;
- failure to attract and retain capable talents with international perspectives who can effectively manage and operate local businesses;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- inability to control the scope of destinations where our vehicles are sold through secondary sales;
- availability, reliability, and security of international payment systems and logistics infrastructure;
- challenges of maintaining efficient and consolidated internal systems, including technology infrastructure, and of achieving customization and integration of these systems with the other parts of our technology platform;
- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China;
- national security policies that restrict our ability to utilize technologies that are deemed by local authorities to pose a threat to their national security;
- the need for increased resources to manage regulatory compliance across our international businesses;
- compliance with privacy laws and data security laws and compliance costs across different legal systems;
- heightened restrictions and barriers on the transfer of data between different jurisdictions;
- differing, complex, and potentially adverse customs, import and export laws, tax rules and regulations or other trade barriers or restrictions related compliance obligations and consequences of non-compliance, and any new developments in these areas;
- business licensing or certification requirements of the local markets;
- exchange rate fluctuations;
- political instability and general economic or political conditions in particular jurisdictions, including territorial or trade disputes, war, and terrorism; and

- significant capital required for entering into new geographical markets, including cost of promoting our brand in the new markets, building sales and services networks.

Failure to manage these risks and challenges could adversely affect our ability to expand our business and operations internationally as well as materially and adversely affect our business, financial condition, and results of operations.

Our distribution model is different from the currently predominant distribution model for automakers, and its long-term viability is unproven.

Our distribution model is not common in the automotive industry today, particularly in China. We own and operate our distribution network through which we conduct vehicle sales directly to users rather than through dealerships. This model of vehicle distribution is relatively new and its long-term effectiveness is unproven, especially in China. It thus subjects us to substantial risks as it requires, in the aggregate, significant expenditures and provides for slower expansion of our distribution and sales systems than the traditional dealership system. For example, we will not be able to utilize long established sales channels developed through a dealership system to increase our sales volume. Moreover, we will be competing with automakers with well established distribution channels. Our expansion of our network of retail stores, showrooms and delivery and servicing centers may not fully meet users' expectations. Our success will depend in large part on our ability to effectively develop and operate our own sales channels and marketing strategies. Implementing our business model is subject to numerous significant challenges, including obtaining permits and approvals from, or filing with, government authorities, and we may not be successful in addressing these challenges.

We have a limited operating history in BEV production and sales, and face significant challenges as a new entrant into the BEV market.

We were founded in 2015 and have produced EREVs since November 2019, and we commenced delivery of our first BEV only in March 2024. There is limited historical basis for making judgments on the demand for our BEVs or our ability to develop, manufacture, and deliver BEVs, our ability to expand our charging network to meet the demand of our HPC BEVs, or our ability to maintain continued profitability in the future. It is difficult to predict our future revenues and appropriately budget for our expenses, and we may have limited insight into trends that may emerge and affect our business, particularly when we introduce all new models or adopt technologies where we have less experience, such as BEVs or BEV technologies. You should consider our business and prospects in light of the risks and challenges that we face as a new entrant into the BEV market, including with respect to our ability to continually advance our HPC BEV technologies, develop and manufacture safe, reliable, and quality BEVs that appeal to users, achieve vehicle delivery and servicing in a large volume, build a well-recognized and respected brand cost-effectively, expand our BEV lineup, navigate the evolving regulatory environment, improve and maintain our operating efficiency, manage supply chain effectively, adapt to changing market conditions, including technological developments and changes in competitive landscape, and manage our growth effectively. We may adjust our strategies and plans from time to time to remain competitive as a new entrant into the BEV market. If we fail to address any or all of these risks and challenges, our business may be materially and adversely affected.

Our ability to develop, manufacture, and deliver automobiles of high quality and appeal to users, on schedule, and on a large scale is unproven and still evolving.

The sustainability of our business depends, in large part, on our ability to timely execute our plan to develop, manufacture, and deliver on a large scale automobiles of high quality and appeal to users. Our vehicles are produced in our own manufacturing bases, and the production volume can be increased with our increased efficiency and technological capabilities. However, our production capacity may not be sufficient to meet the future demand of our vehicles. To date we have relatively limited automobile manufacturing experience to balance production volume and vehicle quality and appeal, especially with respect to BEVs, and therefore cannot assure you that we will be able to achieve our targeted production volume of commercially viable vehicles on a timely basis, or at all.

Our continued development, manufacturing, and delivery of automobiles of high quality to achieve our targeted production volume are and will be subject to risks, including with respect to:

- lack of necessary funding;
- delays or disruptions in our supply chain;
- delays in the research and development of technologies necessary for our vehicles;

- quality control deficiencies;
- compliance with environmental, workplace safety, and other regulations; and
- cost overruns.

Historically, automakers are expected to periodically introduce new and improved models to stay abreast of the market. To remain competitive, we may be required to introduce new vehicle models and perform facelifts on existing vehicle models earlier or more frequently than is originally planned. We cannot assure you that facelifts on our existing models or any future models we launch will appeal to the users as we expect or that any introduction of new models or facelifts will not affect the sales of existing models.

Furthermore, we rely mostly on third-party suppliers for the provision and development of many of the key components and materials used in our vehicles. To the extent our suppliers experience any difficulties in providing us with or developing necessary components, we could experience delays in delivering vehicles. Any delay in the development, manufacturing, and delivery of our existing or future models, or in performing facelifts to existing models, could subject us to user complaints and materially and adversely affect our reputation, demand for our vehicles, and our growth prospects. Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

We currently and in the foreseeable future depend on revenues generated from a relatively limited number of vehicle models.

Although we already have established a multi-model product line, we currently and in the foreseeable future depend substantially on the sales and success of a relatively limited number of vehicle models. Our current product line mostly comprises large and full-size SUVs with similar exterior designs and an MPV, which may not appeal to certain consumers. To the extent our product variety, design, and cycles do not meet consumer expectations, or cannot be achieved on our projected timelines and cost and volume targets, our future sales may be adversely affected. Given that for the foreseeable future our business will depend on a relatively limited number of vehicle models, to the extent a particular model is not timely launched or well-received by the market, our sales volume could be materially and adversely affected, which in turn could materially and adversely affect our business, financial condition, and results of operations.

Our vehicles mainly focus on the Chinese market in the foreseeable future. If the demand for our vehicles significantly decreases due to a decline in consumer spending power in China, a reduction in the number of our potential customers or users, mismatched market positioning, or other reasons, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

In addition, our current pricing model may not be as effective as intended. While we are providing more personalized configurations in our recent vehicle models, we generally provide premium and technology features that are typically offered as costly add-ons by our competitors as standard in our vehicles to save users' time and money while alleviating our burden in production, sales, and support. However, we cannot assure you that such endeavors will succeed. Users may prefer more personalized features based on diverse tastes and needs. In addition, our pricing range, which targets the premium segment of the market, could still exceed certain users' budget significantly. To the extent that we are unable to meet various user needs in promoting current pricing model for our vehicles, our business may be materially and adversely affected.

We continue to be subject to risks associated with EREVs.

We cannot assure you that EREVs will continue to be accepted by the market. Moreover, our business and future results of operations will continue to depend in part on our ability to develop our EREV technologies and improve the performance and efficiency in a cost-effective and timely manner. Our research and development efforts may not be sufficient to adapt to changes in the EREV technologies as well as developments in other NEV technologies, including BEV technologies, which may reduce the competitive advantages of EREV technologies. As technologies evolve, we plan to continue to upgrade or adapt our EREVs and introduce new models with the latest EREV technologies. This will require us to invest resources in research and development and to cooperate effectively on new designs with our suppliers, develop actionable insights from data analysis and user feedback, and respond effectively to technological changes and policy and regulatory developments.

As a pioneer to successfully commercialize EREVs in China, while we have accumulated experience in volume production of EREVs, we currently face competition from other automakers that have successfully commercialized EREVs as well. Notably, since 2024, a number of other automakers entered into the EREV market by launching vehicle models with similar functionality or features with our EREVs, some of which are priced at RMB200,000 or above and directly compete with our vehicles. We cannot assure you that we will be able to maintain efficient and automated manufacturing capabilities and processes, or reliable sources of component supply that will enable us to meet the quality, price, design, engineering, and production standards. In addition, increasing competition in the EREV market in China, such as pricing strategies conducted by our competitors, may cause us to experience lower vehicle sales and slower inventory turnover, which may result in downward price pressure and may adversely affect our business, financial condition, results of operations, and prospects.

We also believe that user confidence in EREVs is essential in promoting our vehicles. As a result, consumers will be less likely to purchase our EREVs if they are not convinced of the technical and functional superiority of EREVs. Any defects in or significant malfunctioning of the range extension system, or any negative perceptions of EREVs with or without any grounds, may weaken consumer confidence in EREVs, cause safety concerns among consumers, and negatively impact our brand name, financial condition, and results of operations. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed.

Our research and development efforts may not yield the results as expected.

As a leading technology-driven company in the NEV industry and a first mover in the field of embodied AI, we heavily rely on research and development to establish and strengthen our market position. We develop electric vehicle technologies, such as next-generation EREV powertrain system, 5C battery, high-voltage platform, ultra-fast charging technologies, autonomous driving technologies, next-generation intelligent cockpit, proprietary AI inference chips, operating systems, and computing platforms. In 2023, 2024 and 2025, our research and development expenses amounted to RMB10.6 billion, RMB11.1 billion and RMB11.3 billion (US\$1.6 billion), respectively. Our research and development expenses accounted for 8.5%, 7.7% and 10.1% of our total revenues in 2023, 2024 and 2025, respectively. As technologies evolve, we plan to upgrade or adopt our vehicles and introduce new models with latest technologies, which will require us to invest resources in research and development. Therefore, we expect that our research and development expenses will continue to be significant. As research and development activities are inherently uncertain, we cannot assure you that we will continue to achieve desirable developments from our research and development activities and successfully commercialize such developments. Consequently, our significant research and development efforts may not yield the results as expected. If our research and development efforts fail to keep up with the latest technological developments, we could suffer a decline in our competitive position, which may materially and adversely affect our business, financial condition, and results of operations.

Orders for our vehicles may be canceled by users despite their deposit payment and online confirmation.

Our users may cancel their orders for many reasons out of our control, and we have experienced cancellation of orders in the past. In addition, users may terminate their orders even after they have paid deposits and waited for 24 hours upon which their orders automatically become confirmed orders and the deposits become non-refundable. The potentially long wait from reservation to delivery could also impact user decisions on whether to ultimately make a purchase, due to potential changes in preferences, competitive developments, and other factors. If we encounter delays in the deliveries of our existing or future vehicle models, a significant number of orders may be canceled. As a result, we cannot assure you that orders will not be canceled and will ultimately result in the final purchase, delivery, and sale of the vehicles. Such cancellations could harm our business, brand image, financial condition, results of operations, and prospects.

Our future growth is dependent on the consumer demand for NEVs.

The demand for our vehicles will highly depend upon consumers' demand for and adoption of NEVs, including EREVs and BEVs. The market for NEVs is still rapidly evolving, characterized by rapidly changing technologies, intense competition, evolving government regulation and industry standards, and changing consumer demands and behaviors.

Other factors that may influence the adoption of NEVs include:

- perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technology, including BEV and EREV technologies, regenerative braking systems, and autonomous driving;
- perceptions about NEV quality, safety, design, performance, and cost, especially if adverse events or accidents occur that are linked to the quality or safety of NEVs, whether or not such vehicles are produced by us or other automakers;

- concerns about electric grid capacity and reliability and the availability of other supporting infrastructure;
- the availability of servicing for NEVs;
- the actual or perceived deterioration of battery capacity over time;
- the environmental consciousness of consumers;
- access to charging stations and cost of charging vehicles;
- the availability of tax and other governmental incentives to purchase and operate NEVs or future regulation requiring increased use of nonpolluting vehicles;
- improvements in the fuel economy of the ICE vehicles; and
- macroeconomic factors.

Any of the factors described above may change the consumer demand for our vehicles, including causing current or prospective users not to purchase our vehicles. If the market for NEVs, and HPC BEVs in particular, does not develop as we expect or develops more slowly than we expect, our business, financial condition, results of operations, and prospects will be affected.

Our future growth is dependent on the consumer demand for passenger vehicles, the prospects of which are subject to many uncertainties.

China is currently one of the world's major automotive markets, especially in terms of passenger vehicle sales volume. China's passenger vehicle market experienced fluctuations previously, and we cannot predict how the consumer demand for passenger vehicles will develop in the future. Amid the market slowdown, certain automakers operating in China have suffered declining performance or financial difficulties. China's passenger vehicle market may be affected by many factors, including general economic conditions in China, the urbanization rate of China's population, the growth of disposable household income, the costs of new automobiles, the development of autonomous driving and robotaxi technologies, the trade tensions and other governmental protectionist measures, as well as taxes and incentives related to automobile purchases. If the consumer demand for passenger vehicles in China does not recover as expected, or at all, our business, financial condition, and results of operations could be materially and adversely affected.

We may be unable to adequately control the costs associated with our operations.

We have devoted significant capital to developing and growing our business, including developing and manufacturing our vehicles, purchasing land and equipment, constructing our manufacturing bases, procuring required raw materials, and building our sales and servicing infrastructure. We expect to further incur significant costs that will impact our profitability, including research and development expenses as we roll out new models and improve existing models and continue to invest in autonomous driving technologies, smart space systems and other front-end technologies such as electric powertrain, expenditures to expand our retail stores, expenditures in the expansion of our manufacturing capacities, additional operating costs and expenses for production ramp-up, raw material and auto parts procurement costs, expenditures to expand our HPC network, and selling expenses as we build our brand and market our vehicles. In particular, the prices for raw materials such as aluminum and steel fluctuate upon factors beyond our control, and could adversely affect our business and results of operations. Substantial increases in the prices for our raw materials such as aluminum and steel would increase our cost of revenue and our operating expenses, and could reduce our margins. Furthermore, currency fluctuations, tariffs, or shortages in petroleum and other economic or political conditions may result in significant increases in freight charges and raw material costs. In addition, we may lose control over the increase of costs in connection with our services including after-sale services. Our ability to become profitable in the future will not only depend on our ability to successfully market our vehicles and other products and services but also to control our costs. If we are unable to design, develop, manufacture, market, sell, and service our vehicles and provide services in a cost-efficient manner, our margins, profitability, and prospects would be materially and adversely affected.

A global shortage in the supply of battery packs may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Our vehicles currently make use of lithium-ion battery cells, which we purchase from third-party suppliers. The prices for the battery cells fluctuate, and their available supply may be unstable, depending on market conditions and global demand for the battery cells and the materials used in the battery cells, such as lithium, nickel, cobalt, and manganese. In recent periods, especially during the latter half of 2025, the industry has experienced a structural shortage of advanced, high-power battery cells due to the rapid proliferation of ultra-fast charging NEVs and a sudden spike in demand for high-performance battery materials. Any increase in the price of battery packs, regardless of whether resulting from the foregoing factors, will lead to higher production costs and lower vehicle sales gross margins, which in turn may adversely affect our financial condition and results of operations.

Notably, since the latter half of 2025, the industry-wide shortage of advanced battery cells, driven by surging demand for long-range NEVs and infrastructure deployment, has created significant challenges for our production ramp-up. Such supply-side constraints, if prolonged, could lead to increased procurement costs or delays in fulfilling our order backlog. We cannot assure you that we will be able to continue to obtain sufficient amount of battery packs at a reasonable cost. For example, starting in late 2025, we have experienced significant delivery delays for our Li i6 model due to supply constraints for certain core components, particularly the battery cells. Our business is dependent on the continued supply of battery packs used in our vehicles. If any of our battery pack suppliers, in particular CATL which supplies a majority of our battery packs (including the specialized cells for our 5C super charging BEV models), becomes unable to meet our demand on acceptable terms, or at all, we may be required to switch to alternative suppliers. Any disruption in the supply of battery packs from any of these battery pack suppliers could disrupt production of our vehicles until such time as we find an alternative supplier. We cannot assure you that we would be able to successfully retain alternative suppliers on a timely basis, on acceptable terms or at all. If we fail to find alternative suppliers in time, our production and deliveries could be materially disrupted, which may materially and adversely affect our business, results of operations, and financial condition. In addition, the price of battery packs may also rise at a faster pace in connection with the global supply shortage and the increased prices for the materials used in the battery cells, which may adversely affect our financial condition and results of operations.

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

We are exposed to inventory risks that may adversely affect our financial condition, results of operations, and prospects as a result of increased competition, seasonality, new model launches, rapid changes in vehicle life cycles and pricing, defective vehicles, changes in consumer demand and consumer spending patterns, and other factors. In order to operate our business effectively and meet our users' demands and expectations, we must maintain a certain level of inventory to avoid overstocking or understocking issues and ensure timely delivery. We determine our level of inventory based on our experience and assessment of user demands and number of orders from users.

However, forecasts are inherently uncertain, and the demand for our vehicles may change between the order date and the projected delivery date. If we fail to accurately forecast the demand or idle inventory of raw materials, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which could adversely affect our profitability. We recognized RMB236.7 million, RMB335.9 million and RMB243.0 million (US\$34.8 million) in write-downs of inventory to net realizable value and losses on inventory purchase commitments in cost of sales in 2023, 2024 and 2025, respectively. In addition, if we underestimate the demand for our vehicles, we may not be able to manufacture a sufficient number of vehicles to meet such unanticipated demand, which could result in delays in the delivery of our vehicles or even cancelation of orders and harm our reputation.

Any of the above may materially and adversely affect our financial condition and results of operations. As we plan to continue to expand our vehicle offerings, we may continue to face challenges in effectively managing our inventory.

Our industry and its technology are rapidly evolving and may be subject to unforeseen changes. Breakthroughs in other NEV technologies or improvements in the ICE technologies may materially and adversely affect the demand for our vehicles.

We operate in the China automotive market, including the rapidly evolving NEV market, which may not become what we currently anticipate. We may be unable to keep up with changes in China's NEV technology and, as a result, our competitiveness may suffer. Our research and development efforts may not be sufficient to adapt to changes in the NEV technology. As technologies change, we plan to upgrade or adapt our vehicles and introduce new models in order to provide vehicles with the latest technology, which could involve substantial costs and lower our return on investment for existing vehicles. We cannot assure you that we will be able to compete effectively with other NEVs and integrate the latest technology into our vehicles against the backdrop of our rapidly evolving industry. Even if we are able to keep pace with changes in technology and develop new models, our prior models could become obsolete more quickly than expected, potentially reducing our return on investment.

Developments in new energy technology, such as advanced diesel, ethanol, fuel cells, hydrogen energy, or compressed natural gas, or improvements in the fuel economy of ICEs may materially and adversely affect our business and prospects in ways that we do not currently anticipate. Furthermore, any revolutionary breakthroughs in battery technology, including those that significantly reduce charging time or enhance the range of BEVs on a single charge, particularly the commercialization of all-solid-state batteries, could offer superior energy density and safety profiles. Any failure by us to successfully react to changes in existing technology could materially harm our competitive position and may materially and adversely affect our business, financial condition, and results of operations.

If we fail to manage our growth effectively, we may not be able to market and sell our vehicles successfully.

We have expanded our operations, and as we ramp up our production, significant expansion will be required, especially in connection with potential increases in sales, providing our users with high-quality servicing, expansion of our retail, delivery, and servicing center network, and managing different models of vehicles. Our future operating results depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this expansion include, among others:

- managing our supply chain to support fast business growth;
- managing a larger organization with a greater number of employees in different divisions;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding design, manufacturing, sales, and service facilities while ensuring the quality of our vehicles;
- constructing or expanding charging network for our vehicles;
- navigating complex and evolving regulatory environments, geopolitical tensions, and localized consumer preferences as we execute our international expansion strategy;
- researching and developing AI technology and the subsequent commercialization;
- managing substantial operational costs associated with the development of AI-related technologies;
- implementing and enhancing administrative infrastructure, systems, and processes; and
- addressing new markets and potentially unforeseen challenges as they arise.

Any failure to manage our growth effectively could materially and adversely affect our business, financial condition, results of operations, and prospects.

We are a “controlled company” within the meaning of the Nasdaq Stock Market Rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

We are a “controlled company” as defined under the Nasdaq Stock Market Rules because Mr. Xiang Li, our chairman and chief executive officer, beneficially owns more than 50% of our total voting power. For so long as we remain a controlled company under that definition, we are permitted to elect to rely on, and may rely on, certain exemptions from corporate governance rules, including (i) an exemption from having the majority of our board of directors composed of independent directors, (ii) having a compensation committee composed entirely of independent directors, and (iii) having a nominating and corporate governance committee composed entirely of independent directors. As a result, you may not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements. Only four of our eight directors are independent directors and Mr. Xiang Li, who is not an independent director, is a member of our compensation committee.

Our products and services, including those provided through third parties, may not be generally accepted by our users. If we are unable to provide or arrange satisfactory products or services for our users, our business and reputation may be materially and adversely affected.

In addition to our vehicles, we cannot assure you that our products and services or our efforts to engage with our users using both our online and offline channels will be successful, which could affect our user satisfaction and marketing and hence our revenues. Moreover, we are unable to ensure the availability or quality of our products and services, including those provided by third parties, such as servicing, repairment, road assistance, vehicle logistics, and automobile financing and insurance. If any of these become unavailable or inadequate, our users’ experience may be adversely affected, which in turn may materially and adversely affect our business and reputation.

While our vehicles can be serviced at our delivery and servicing centers, some of the services will be carried out through authorized body and paint shops. Both our own delivery and servicing centers and authorized body and paint shops have limited experience in servicing NEVs. We cannot assure you that our service arrangements will adequately address the service requirements of our users to their satisfaction, or that we and our authorized body and paint shops will have sufficient resources to meet these service requirements in a timely manner as the volume of vehicles we deliver increases.

In addition, if we are unable to roll out and establish a widespread service network through a combination of our delivery and servicing centers and authorized body and paint shops, user satisfaction could be adversely affected. For instance, our vehicles may be resold to certain jurisdictions where we have not officially launched our delivery and servicing centers or authorized body and paint shops. The lack of such services could pose challenges for our overseas users, potentially adversely affecting their overall satisfaction for our vehicles. This, in turn, could materially and adversely affect our sales, results of operations, and prospects.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, which could harm our business, financial condition, results of operations, and prospects. The automotive industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in property damage, personal injury, or death. Our risks in this area are particularly pronounced given we have limited field experience of our vehicles. In addition, we may be subject to product liability claims for defective components and parts that are manufactured by our third-party suppliers. A successful product liability claim against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and inhibit or prevent commercialization of our future vehicles, which would materially and adversely affect our brand, business, prospects, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may materially and adversely affect our reputation, business, financial condition, and results of operations. Furthermore, as our overseas sales increase, our vehicles sold abroad may also be subject to recall risks or other product liability issues, and we have limited experience in addressing such matters in overseas markets.

Our vehicles are subject to motor vehicle standards and the failure to satisfy such mandated safety standards would materially and adversely affect our business and results of operations.

All vehicles sold must comply with various standards of the market where the vehicles are sold. Our vehicles must meet or exceed all mandated safety standards in China. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving these standards. Vehicles must pass various tests and undergo a certification process and be affixed with the China Compulsory Certification before receiving delivery from the factory, being sold, or being used in any commercial activity, and such certification is also subject to periodic renewal. Furthermore, the PRC government authorities carry out supervision and scheduled or unscheduled inspection of certified vehicles on a regular basis. In the event that our certification fails to be renewed upon expiry, a certified vehicle has a defect resulting in quality or safety accidents, or consistent failure of certified vehicles to comply with certification requirements is discovered during follow-up inspections, the certification may be suspended or even revoked. With effect from the date of revocation or during suspension of the certification, any vehicle that fails to satisfy the requirements for certification may not continue to be delivered, sold, imported, or used in any commercial activity. Failure by us to satisfy motor vehicle standards would materially and adversely affect our business and results of operations.

Our vehicles currently make use of lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame.

The battery packs that we produce make use of lithium-ion cells, which we purchase from third-party suppliers. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. We have implemented a battery management system that automatically monitors temperature, power output, and other status of the battery pack, including a thermal management system that keeps the temperature of the battery pack within an ideal range. However, our vehicles or their battery packs may still experience failure, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time-consuming and expensive. In addition, negative public perceptions regarding the suitability of lithium-ion cells for automotive use or any future incident involving lithium-ion cells such as a vehicle or other fire, even if not involving our vehicles, could seriously harm our business.

In addition, we store lithium-ion cells at our facilities. Any mishandling of battery cells may cause disruption to the operation of our facilities. While we have implemented safety procedures related to the handling of the cells, a safety issue or fire related to the cells could disrupt our operations. Such damage or injury could lead to adverse publicity and potentially a safety recall. Moreover, any failure of a competitor's electric vehicle or energy storage product may cause indirect adverse publicity for us and our products. Such adverse publicity could negatively affect our brand and harm our business, financial condition, results of operations, and prospects.

We are subject to risks associated with autonomous driving technology.

Our vehicles are currently equipped with autonomous driving features realized through NOA functions, and we continue to develop autonomous driving technology for our vehicles. We rely on third-party suppliers for certain components used in our autonomous driving system, and any defects of or quality issues with those components could result in actual or perceived quality issues with our vehicles. We plan to enhance and expand our vehicles' level of autonomous driving capabilities through ongoing research and development.

As we develop and equip our vehicles with autonomous driving technology, we are facing risks associated with autonomous driving as an evolving and complex technology, including the following:

- the autonomous driving technology is still evolving and, at present, still serving as a supportive assistant in nature. The safety of autonomous driving technology depends, to a great extent, on proper user operations. Users may be unfamiliar with our autonomous driving system or misuse it, leading to potential safety risks;
- any flaws or misuse of autonomous driving technologies in general, whether actual or perceived, intended or inadvertent, committed by other automakers or third parties, could result in negative publicity on autonomous driving technology in general, erode customers' confidence in autonomous driving technology or EVs, and/or invite more regulatory scrutiny, thereby create more uncertainties for the adoption of autonomous driving technology and the popularity of our vehicles;
- while we are continuously optimizing our autonomous driving technology, the technology is still in progress and is yet to achieve wide market acceptance. There can be no assurance that our autonomous driving technology will be able to predict or detect all potential issues during driving. Any incremental changes in our autonomous driving software and hardware may result in safety issues; and

- the laws and regulations on autonomous driving are still evolving, and we could be subject to liability, government scrutiny, and further regulation. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Autonomous Driving.”

Any of the foregoing could result in accidents and materially and adversely affect our brand image, market share, financial condition, results of operations, and growth prospects.

We may face challenges in building our charging network.

We have started to build an HPC network to achieve a superior charging experience. As of December 31, 2025, we had built 3,907 super charging stations in operation equipped with 21,651 charging stalls in China. However, we have limited experience in the actual provision of our charging network to users and providing these services is subject to challenges, including the challenges associated with sorting out the logistics of rolling out our network and teams in appropriate areas, inadequate capacity or over capacity of our services in certain areas, and the potential for lack of user acceptance of our charging stations. In addition, although the Chinese government has supported the roll - out of a public charging network, the current number of charging infrastructures is generally considered to be insufficient. We also face uncertainties with regard to governmental support and public infrastructure, including whether we can obtain and maintain access to sufficient charging infrastructure, whether we can obtain any required permits and land use rights and complete any required filings, and whether the government support in this area may discontinue. Furthermore, we may be subject to illegal activities perpetrated against us and our charging stalls, which may disrupt our operations and damage user confidence in our vehicles and service offerings, thereby negatively affect our business and results of operations.

Furthermore, given our limited experience in building a charging network, there could be unanticipated challenges which may hinder our ability to provide our charging solutions or make the provision of our solutions costlier than anticipated. To the extent we are unable to meet user expectations or experience difficulties in providing our power solutions, our reputation and business may be materially and adversely affected.

Any unauthorized control or manipulation of our vehicle systems could result in loss of confidence in us and our vehicles and harm our business.

Our vehicles contain complex information technology systems. For example, our vehicles are designed with built-in data connectivity to accept and install periodic remote updates from us to improve or update the functionality of our vehicles. We have designed, implemented, and tested security measures intended to prevent unauthorized access to our information technology networks, our vehicles, and their systems. However, hackers may attempt in the future, to gain unauthorized access to modify, alter, and use our networks, vehicles, and systems to gain control of, or to change, our vehicles’ functionality, user interface, and performance characteristics, or to gain access to data stored in or generated by the vehicles. Vulnerabilities could be identified in the future and our remediation efforts may not be successful. Any unauthorized access to or control of our vehicles or their systems or any loss of data could result in legal claims or proceedings against us. In addition, regardless of their veracity, reports of unauthorized access to our vehicles, their systems, or data, as well as other factors that may result in the perception that our vehicles, their systems, or data are capable of being “hacked,” could negatively affect our brand and harm our business, financial condition, results of operations, and prospects.

Our results of operations may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs.

Our results of operations may vary significantly from period to period due to many factors, including seasonal factors that may affect the demand for our vehicles. The sales volume of passenger vehicles typically declines over January and February, particularly around the Chinese New Year, gradually climbs over spring and summer, and typically culminates in the fourth quarter of the calendar year. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. Also, any unusually severe weather conditions in certain regions may impact demand for our vehicles. Our results of operations could also suffer if we do not achieve revenue consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenue.

We also expect our period-to-period results of operations to vary based on our operating costs, which we anticipate will increase significantly in future periods as we, among other things, design, develop, and manufacture our existing and new models, build and equip new manufacturing bases to produce such components, open new retail stores, showrooms and delivery centers, increase our sales and marketing activities, and increase our general and administrative functions to support our growing operations.

As a result of these factors, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of future performance. Moreover, our results of operations may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our Class A ordinary shares or ADSs could fluctuate substantially either suddenly or over time.

Expansion or conversion of our manufacturing facilities and establishment of new manufacturing facilities may be subject to delays, disruptions, cost overruns, or may not produce expected benefits.

We may expand or convert our existing manufacturing facilities and establish new manufacturing facilities for production ramp-up of our current and future models with better efficiency and technological capabilities. The expansion or conversions could experience delays or other difficulties, and will require significant capital. We may encounter quality, process, or other issues when changing our single-shift production arrangement to a two-shift production arrangement. Moreover, we could encounter similar or additional risks as we establish and develop new manufacturing facilities in the future, in addition to our existing manufacturing facility. Any failure to complete the expansion of our manufacturing facilities on schedule and within budget could adversely affect our financial condition, production capacity, and results of operations.

Under PRC laws, construction projects are subject to broad and strict government supervision and approval procedures, including but not limited to project approvals and filings, construction land and project planning approvals, disease control approvals, environment protection approvals, the pollution discharge permits, drainage license, work safety approvals, fire protection approvals, and the completion of inspection and acceptance by the authorities. Some of the construction projects carried out by us are undergoing necessary approval procedures as required by law, which requires the approval of the municipal government. As a result, the entities operating such construction projects may be subject to administrative supervision, fines, or the suspension of use of such projects. Any of the foregoing could materially and adversely affect our business operations.

Our business plans require a significant amount of capital. In addition, our future capital needs may require us to issue additional equity or debt securities that may dilute our shareholders or introduce covenants that may restrict our operations or our ability to pay dividends.

We will need significant capital to, among other things, conduct research and development, expand our production capacity, and roll out our retail stores, showrooms and delivery and servicing centers. As we ramp up our production capacity and operations, we may also require significant capital to maintain our property, plant, and equipment and such costs may be greater than what we currently anticipate. We expect that our level of capital expenditures will be significantly affected by consumer demand for our products and services. The fact that we have a limited operating history means we have limited historical data on the demand for our products and services. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from what we currently anticipate. We may seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition, and prospects may be materially and adversely affected.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business plan. These factors may make the timing, amount, and terms and conditions of such financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay, or cancel our planned activities, or substantially change our corporate structure. We may have shareholders' deficit balance in the future, which may limit our ability to obtain financing and materially and adversely affect our liquidity and financial condition. We might not be able to obtain any funding or service any of the debts we incurred, and we might not have sufficient resources to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

In addition, our future capital needs and other business reasons could require us to issue additional equity or debt securities or obtain a credit facility. The issuance of additional equity or equity-linked securities could dilute our shareholders and our memorandum and articles of association do not contain any anti-dilution provision. The incurrence of indebtedness would result in an increase in debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to incur additional indebtedness, to pay dividends to our shareholders, to repurchase our share capital, or to make certain acquisitions or investments. Moreover, we may be subject to covenants requiring us to satisfy certain financial tests and ratios, and our ability to satisfy such covenants may be affected by events out of our control.

We retain certain information about our users, which may subject us to user concerns or various privacy and consumer protection laws.

We use our vehicles' electronic systems to log, with necessary permission, certain information about each vehicle's use in order to aid us in vehicle diagnostics and maintenance and repair, as well as to help us customize and optimize the driving and riding experiences. Our users may object to the use of this data, which may harm our business. Possession and use of our users' driving behavior and data in conducting our business may subject us to legislative and regulatory burdens in China and other jurisdictions that could require notification of data breach, restrict our use of such information, and hinder our ability to acquire new users or market to existing users. If users allege that we have improperly released or disclosed their sensitive personal information, we could face legal claims and reputational harm. We may incur significant expenses to comply with privacy, consumer protection, and security standards and protocols imposed by laws, regulations, industry standards, or contractual obligations. If third parties improperly obtain and use sensitive personal information of our users, we may be required to expend significant resources to resolve these problems.

Our business is subject to various evolving laws and regulations regarding data privacy and cybersecurity. Failure of cybersecurity and data privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.

We face significant challenges with respect to cybersecurity and data privacy, including the storage, transmission, and sharing of confidential information. We transmit and store confidential and private information of our users, such as personal information, including names, user accounts, and payment or transaction-related information.

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including, without limitation, the PRC Civil Code, the PRC Cybersecurity Law, and the PRC Personal Information Protection Law. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Internet Information Security and Privacy Protection." We are required by these laws and regulations to ensure the confidentiality, integrity, availability, and authenticity of the information of our users and distributors, which is also essential to maintaining their confidence in our vehicles and services. We have adopted strict information security policies and deployed advanced measures to implement the policies, including, among others, advanced encryption technologies. However, advances in technology, an increased level of sophistication and diversity of our products and services, an increased level of expertise of hackers, new discoveries in the field of cryptography or others can still result in a compromise or breach of our websites, the Li Auto App, or our vehicles' electronic systems. If we are unable to protect our systems, and hence the information stored in our systems, from unauthorized access, use, disclosure, disruption, modification, or destruction, such problems or security breaches could cause a loss, give rise to our liabilities to the owners of confidential information, or subject us to fines and other penalties. In addition, complying with various laws and regulations could cause us to incur substantial costs or require us to change our business practices, including our data practices, in a manner adverse to our business.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For example, on August 20, 2021, the Standing Committee of the National People's Congress promulgated the PRC Personal Information Protection Law, which took effect on November 1, 2021. The PRC Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose and should be directly related to its purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Entities processing personal information must be responsible for their personal information processing activities and adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to rectify, or suspend or terminate the provision of services, and face confiscation of illegal income, fines, or other penalties. On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security.

On December 28, 2021, the CAC, the National Development and Reform Commission, or the NDRC, the Ministry of Industry and Information Technology, or the MIIT, and several other PRC government authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022 and further restates and expands the applicable scope of the cybersecurity review in effect. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services and network platform operators engaging in data processing activities must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulate that network platform operators holding personal information of over one million users must apply to the Cybersecurity Review Office for a cybersecurity review before public offering on a foreign stock exchange. Although our securities have been listed on the Nasdaq Global Select Market and the Hong Kong Stock Exchange, given the Cybersecurity Review Measures was relatively new, there are uncertainties as to the interpretation, application, and enforcement of the Cybersecurity Review Measures. On August 17, 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure, which took effect on September 1, 2021 and defines critical information infrastructure as any important network facilities or information systems of important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs, and national defense science, which may endanger national security, people's livelihood, and public interest in case of damage, function loss, or data leakage. In addition, according to the Regulations on Protection of Critical Information Infrastructure, the administration departments for each critical industry and sector should be responsible to formulate eligibility criteria and determine the scope of critical information infrastructure operator in the respective industry or sector. The operators will be informed about the final determination as to whether they are categorized as critical information infrastructure operators. As of the date of this annual report, no detailed implementation rules have been issued by any government authorities and we have not been informed as a critical information infrastructure operator by any government authorities. Furthermore, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC government authorities may have discretion in the interpretation and enforcement of these laws. Therefore, it is uncertain whether we would be deemed as a critical information infrastructure operator under PRC law. If so, we will be subject to more scrutiny from the government authorities, which may increase our compliance costs and affect our ability to conduct overseas offerings. If we were regarded as a critical information infrastructure operator by the government authorities, or if our data processing activities and overseas listing were regarded as having impact or potential impact on national security, we may be required to make significant changes to our business practices, suspend certain business, or even be prohibited from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Such review could also result in negative publicity with respect to us and diversion of our managerial and financial resources. There can be no assurance that we would be able to complete the applicable cybersecurity review procedures or clear the cybersecurity review in a timely manner, or at all, if we are required to follow such procedures or are subject to cybersecurity review by the CAC and other PRC regulatory authorities.

In addition, on August 16, 2021, the CAC, NDRC, MIIT, Ministry of Public Security, and Ministry of Transport jointly issued the Regulations on the Management of Automobile Data Security (for Trial Implementation), which took effect on October 1, 2021. These regulations aim to regulate the activities of processing automobile data, including without limitation personal information and important data involved in the process of automotive design, production, sales, use, operation, and maintenance within the PRC territory. The regulations further elaborate the principles and requirements for the protection of personal information and important data in the automotive industry scenarios and requires automobile data processors processing important data to submit an annual report to specify its automobile data security management status to the provincial counterparts of the CAC and other government authorities prior to December 15 each year. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Internet Information Security and Privacy Protection." We cannot assure you that the regulators will not interpret or implement the laws or regulations in ways that adversely affect us. In addition, it is possible that we may become subject to additional or new laws and regulations in this regard, particularly to data security and protection laws in other jurisdiction as we extend our business outside of China, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention from regulators and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business, and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

Furthermore, on September 24, 2024, the State Council published the Administration Regulations on Network Data Security, or the Data Security Regulations, which became effective on January 1, 2025. The Data Security Regulations provide that network data processors conduct network data processing activities that affects or may possibly affect national security must conduct national security review in accordance with relevant laws and regulations. The Data Security Regulations provide no further explanation or interpretation as to how to determine what constitutes "affecting national security." As such, there remain uncertainties of interpretation, application, and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions.

It remains uncertain whether future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of these future regulatory changes, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If future regulatory updates mandate clearance of cybersecurity review and other specific actions to be completed by China-based companies listed on foreign stock exchanges, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. As of the date of this annual report, there had been no material incident of data or personal information leakage, infringement of data protection and privacy laws and regulations, or investigation or other legal proceeding pending or threatened against us initiated by government authorities or third parties, that will materially and adversely affect our business and operations. We have not been involved in any formal investigations on cybersecurity review by the CAC on such basis. However, if we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

As we expand our operations into other jurisdictions, we will be subject to additional laws and regulations in these jurisdictions. The laws and regulations of other jurisdictions may restrict the collection, storage, transmission, and exchange of data across jurisdictions, which could impose additional and substantial operational, administrative, and compliance burdens on us. Additionally, they may restrict our business activities and expansion plans, and impede our business strategies. Complying with laws and regulations for an increasing number of jurisdictions could require significant resources and costs. The increasing number of new legal requirements in various jurisdictions, such as the European Union General Data Protection Regulation, present increased challenges and risks in relation to policies and procedures relating to data collection, storage, transfer, disclosure, protection, and privacy, and may impose significant penalties for noncompliance, including but not limited to, penalties calculated as a percentage of global revenues under the General Data Protection Regulation. In addition, on February 28, 2024, the Biden administration of the United States released an executive order calling for the U.S. Department of Justice to promulgate regulations to prohibit and restrict the transfer of substantial quantities of sensitive personal data belonging to U.S. individuals, as well as certain data pertaining to the U.S. government, to countries of concern, including China. On January 8, 2025, the U.S. Department of Justice issued a final rule to implement the executive order, which prohibits or restricts transactions with certain identified countries of concern, including China, and classes of covered person involving government-related data or bulk U.S. sensitive personal data. Any failure by us to comply with applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our internal policies and measures, could subject us to regulatory actions and legal proceedings. Regulatory actions include governmental enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way. Such actions and legal proceedings could subject us to significant civil or criminal penalties and may require us to change our business practices. Moreover, they may necessitate significant resources in responding to and defending allegations and claims. All of these outcomes could materially harm our business, prospects, financial condition, and results of operations.

Physical and transitional risks relating to climate change may have material adverse effects on our business, financial condition, and results of operations.

Our business is subject to physical risks relating to climate change. Natural disasters, whether acute or chronic, such as floods, extreme heatwaves, tropical cyclones, and water scarcity pressures may pose significant challenges on our operations, including potential reduced production capacities, damage to equipment and other assets, and disruptions in supply chains and logistics. These risks could also threaten the health and safety of our employees and our supply chain partners. Such impacts may materially and adversely affect our results of operations and financial condition by ways such as causing impairment to our assets or increasing operational costs.

In addition, we and our partners are subject to transition risks in connection with climate change. Governments and regulatory authorities around the world are increasingly introducing laws, regulations, and policies aimed at reducing greenhouse gas emissions and mitigating the impacts of climate change, such as China's national carbon market and the European Union's Carbon Border Adjustment Mechanism (CBAM), with an expanding scope of coverage. If we were to be directly included in a carbon tax or carbon market system, we would incur additional compliance costs, such as paying carbon taxes or purchasing carbon allowances. Furthermore, if our upstream suppliers become subject to such regulations, our procurement costs may also rise indirectly. Such transition costs associated with compliance and carbon pricing could impact our financial condition and results of operations.

Our warranty reserves may be insufficient to cover future warranty claims, which could adversely affect our financial condition and results of operations.

We provide warranties for new vehicles, battery packs, electric motors, and electric motor controllers, as well as air springs. Our warranty program is similar to other automakers' warranty programs and is intended to cover all parts and labor to repair defects in material or workmanship in the body, chassis, suspension, interior, electric systems, battery, powertrain, and brake system. We record and adjust warranty reserves based on changes in estimated costs and actual warranty costs. We cannot assure you that our warranty reserves will be sufficient to cover future warranty claims. We could, in the future, become subject to significant and unexpected warranty claims, resulting in significant expenses, which would in turn materially and adversely affect our financial condition, results of operations, and prospects.

If our vehicle owners modify our vehicles regardless of whether third-party aftermarket products are used, the vehicle may not operate properly, which may create negative publicity and could harm our business.

Automobile enthusiasts may seek to modify our vehicles, including using third-party aftermarket products, to alter their appearance or enhance their performance, which could jeopardize vehicle safety systems. We do not test, nor do we endorse, such modifications or third-party products. In addition, the use of improper external cabling or unsafe charging outlets can expose our users to injury from high voltage electricity. Such unauthorized modifications could reduce the safety of our vehicles and any injuries resulting from such modifications could result in adverse publicity which would adversely affect our brand and harm our business, financial condition, results of operations, and prospects.

We have granted, and may continue to grant options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

We adopted a share incentive plan in July 2019, or the 2019 Plan, for the purpose of granting share-based compensation awards to employees, directors, and consultants to incentivize their performance and align their interests with ours. We further adopted the 2020 Share Incentive Plan, or the 2020 Plan, in July 2020 and the 2021 Share Incentive Plan, or the 2021 Plan, in March 2021, in each case for the same purpose. Under the 2019 Plan, 2020 Plan, and 2021 Plan, we are authorized to grant options and other types of awards. The maximum number of Class A ordinary shares that may be issued pursuant to all awards under the 2019 Plan is 141,083,452. The maximum number of Class A ordinary shares that may be issued pursuant to all awards under the 2020 Plan is 165,696,625. The maximum number of Class B ordinary shares that may be issued pursuant to all awards under the 2021 Plan is 108,557,400. As of February 28, 2026, awards to purchase an aggregate of 59,891,996 Class A ordinary shares under the 2019 Plan and awards to purchase an aggregate of 18,762,326 Class A ordinary shares under the 2020 Plan had been granted and were outstanding, excluding awards that were forfeited or canceled after their grant date. On March 8, 2021, we granted options to purchase 108,557,400 Class B ordinary shares under our 2021 Plan to Mr. Li, our chairman and chief executive officer, with certain performance-based vesting conditions. On May 5, 2021, the board of directors approved to replace such options with the same number of restricted Class B ordinary shares under the same plan, all of which were vested upon grant on May 5, 2021, subject to certain undertakings of restrictions by Mr. Li based on certain performance conditions substantially similar to the vesting conditions of the options being replaced. These Class B ordinary shares were converted to Class A ordinary shares on a one-to-one basis with effect immediately upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. See "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans." We refer to these 108,557,400 Class A ordinary shares as the CEO Award Shares. As the aggregate number of our vehicle deliveries in the preceding 12 consecutive months exceeded 500,000 by December 2024, the performance condition of the first tranche of CEO Award shares (or 18,092,900 Class A ordinary shares) was satisfied, although we were informed that Mr. Li currently does not intend to pay for the award premium of any CEO Award shares. We believe that the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Furthermore, prospective candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Thus, our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees.

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

Entities or individuals, including our competitors, may hold or obtain patents, copyrights, trademarks, or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, develop, sell, or market our vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from intellectual property right holders regarding their rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. Our registered trademarks and trademarks under application relating to our design, software, or smart technology could be found to infringe upon existing trademark ownership and rights. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating certain components into, or using vehicles or offering goods or services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- seek a license from the holder of the infringed intellectual property right, which may not be available on reasonable terms or at all;
- redesign our vehicles or other goods or services; or
- establish and maintain alternative trademarks for our products and services.

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

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

We regard our trademarks, service marks, patents, domain names, trade secrets, and similar intellectual property as critical to our success. We rely on trademark and patent law, trade secret protection, and confidentiality and license agreements with our employees and others to protect our intellectual property rights.

We have invested significant resources to develop our own intellectual property. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

Implementation and enforcement of intellectual property laws have historically been challenging. Policing unauthorized use of proprietary technology is difficult and expensive. We rely on a combination of patents, trademarks, copyrights, trade secrets, and confidentiality agreements to protect our proprietary rights. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

As our patents may expire and may not be extended, our patent applications may not be granted, and our patent rights may be contested, circumvented, invalidated, or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could materially and adversely affect our business, financial condition, and results of operations.

As of December 31, 2025, we had 4,765 issued patents and 7,396 pending patent applications in China. We cannot assure you that all our pending patent applications will result in authorized patents. Even if our patent applications succeed and we are authorized patents accordingly, it is still uncertain whether these patents will be contested, circumvented, or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with meaningful protection or competitive advantages. The claims under any patents may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others could bar us from licensing and exploiting our patents. Numerous patents and pending patent applications owned by others exist in the fields where we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to rejection. Finally, in addition to those who may claim priority, any of our existing patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

Pandemics and epidemics, natural disasters, terrorist activities, political unrest, and other outbreaks could disrupt our production, delivery, and operations, which could materially and adversely affect our business, financial condition, and results of operations.

Global pandemics, epidemics in China or elsewhere in the world, or fear of spread of contagious diseases, such as Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu could disrupt our business operations. We are also vulnerable to natural disasters and other calamities, such as fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, or similar events. Any of these could disrupt our business operations, reduce or restrict our supply of materials and services, incur significant costs to protect our employees and facilities, or result in regional or global economic distress, which may materially and adversely affect our business, financial condition, and results of operations. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on our business, financial condition, and results of operations. Any one or more of these events may impede our production and delivery efforts and adversely affect our sales results, or even for a prolonged period of time, which could materially and adversely affect our business, financial condition, and results of operations.

We might not be able to fulfil our obligation in respect of deferred revenue, which might have impact on our cash or liquidity position.

Our recognition of deferred revenue is subject to future performance obligations. Our deferred revenue mainly includes the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, which mainly arises from customer loyalty points offered in connection with the purchase of our vehicles, extended lifetime warranties for initial owners, vehicle internet connection services, OTA upgrades, undelivered vehicles, and charging stalls. We may have multiple performance obligations identified in one vehicle sales contract and the purchase price for sales of our vehicles and all embedded products and services to a user for which we have received consideration, or an amount of consideration is due, from the user, is recorded as deferred revenue. Due to potential future changes in user preferences and the need for us to satisfactorily perform product support and other services, deferred revenue at any particular date may not be representative of actual revenue for any current or future period. Any failure to fulfil the obligations in respect of deferred revenue may have an adverse impact on our results of operations and liquidity.

Fluctuation of fair value change of short-term and long-term investments that we made may adversely affect our financial condition, results of operations, and prospects.

Our short-term investments primarily consist of investments in financial instruments with variable interest rates and maturity dates within one year, and our long-term investments primarily consisted of investments in publicly traded companies, privately-held companies and private equity funds, long-term time deposits, investments in financial instruments with variable interest rates and maturity dates greater than one year. The methodologies that we use to assess the fair value of the short-term and long-term investments involve a significant degree of management judgment and are inherently uncertain. In addition, we are exposed to credit risks in relation to our short-term and long-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our short-term and long-term investments, or we will not incur any fair value losses on our short-term and long-term investments in the future. If we incur such fair value losses, our financial condition, results of operations, and prospects may be adversely affected.

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

We have limited liability insurance coverage for our products and business operations. A successful liability claim against us, regardless of whether due to injuries suffered by our users could materially and adversely affect our financial condition, results of operations, and reputation. Any business disruption event could result in substantial cost to us and diversion of our resources.

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

We have entered into and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties, and increases in expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating to their businesses, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, we may have to complete certain administrative procedures with the PRC government authorities for strategic alliances and comply with any applicable PRC rules and regulations. For example, the PRC Anti-Monopoly Law requires that the anti-monopoly authority be notified in advance of any concentration of undertaking if certain thresholds are triggered. In June 2022, the SAMR imposed administrative penalties on us for failure to file prior notification of concentrations of undertaking for two of our past transactions even though neither transaction had an effect of excluding or limiting competition, resulting in a RMB400,000 fine for each case. We cannot assure you that we will not be involved in or subject to other investigations, inquiries, claims, or other administrative proceedings or requirements relating to anti-monopoly laws and regulations in the future. Pursuant to the PRC Anti-Monopoly Law, if the anti-monopoly authority determines that a business operator fails to file prior notification of concentrations of undertaking, the business operator may be subject to administrative penalties, including a fine of up to RMB500,000, and in extreme case it may be ordered to terminate or unwind the contemplated transaction, or to dispose of the assets or shares or transfer the business within a specified period. The Anti-Monopoly Law, which was amended in June 2022 and took effect on August 1, 2022, increases the fines for illegal concentration of business operators to no more than 10% of the business operator's sales revenue in the previous year if the concentration of business operator has or may have an effect of excluding or limiting competitions, or a fine of up to RMB5,000,000 if the concentration of business operator does not have an effect of excluding or limiting competition.

Furthermore, if appropriate opportunities arise, we may acquire additional assets, products, technologies, or businesses that are complementary to our existing business. In addition to possible shareholder approval, we may have to obtain approvals and licenses from the government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increasing delay and costs, and may derail our business strategy if we fail to do so. Moreover, the costs of identifying and consummating acquisitions may be significant. Furthermore, past and future acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results that we expect, or may be involved in potential legal risks that negatively affect our business. Acquisitions could result in the use of substantial amount of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets, and exposure to potential unknown liabilities of the acquired business. In particular, given the rapid evolution of AI technology, acquired assets may become obsolete faster than anticipated, leading to significant non-cash impairment charges that adversely affect our net income. In addition, any acquired business may be involved in legal proceedings originating from historical periods prior to the acquisition, and we may not be fully indemnified, or at all, for any damage to us resulting from such legal proceedings, which could materially and adversely affect our financial position and results of operations.

If we fail to implement and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations, or prevent fraud.

We are a public company in the United States and are subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act of 2002, and the rules and regulations of the Nasdaq Global Select Market. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires us to include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F. In addition, as we ceased to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2025. In addition, our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2025, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

In the future, our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal control or the level at which our control is documented, designed, operated, or reviewed, or if it interprets the requirements differently from us. In addition, as we have become a public company, our reporting obligations may place a significant strain on our management, operational, and financial resources and systems for the foreseeable future. We may be unable to complete our evaluation testing and any required remediation in a timely manner.

If we fail to maintain adequate and effective internal control over financial reporting, as these standards are modified, supplemented, or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our Class A ordinary shares or ADSs. Additionally, ineffective internal control over financial reporting could expose us to increasing risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations, and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

If we update our manufacturing equipment more quickly than expected, we may have to shorten the useful lives of any equipment to be retired as a result of any such update, and the resulting acceleration in our depreciation could negatively affect our financial results.

We have invested and expect to continue to invest significantly in what we believe is modern tooling, machinery, and other manufacturing equipment for the product lines where our vehicles are manufactured, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing process with advanced equipment more quickly than expected. In addition, we may adjust our product portfolio in response to lower - than - expected sales for certain models. Moreover, as our engineering and manufacturing expertise and efficiency increase, we may be able to manufacture our products using less of our installed equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and to the extent we own such equipment, our results of operations could be negatively impacted. We are working on further improving the efficiency and technological capabilities of our manufacturing bases. Our increased investment in the manufacturing plants will result in an increase in depreciation cost upon expansion of our manufacturing bases, which could adversely affect our financial condition and results of operations.

Interruption or failure of our information technology and communications systems could affect our ability to effectively provide our services.

Our Li Auto App, official websites, in-car technology system, and other digitalized sales, service, user relationship, internal information and knowledge management systems depend on the continued operation of our information technology and communications systems. These systems are vulnerable to damage or interruption from, among others, fire, terrorist attacks, natural disasters, power loss, telecommunications failures, computer viruses, computer denial of service attacks, or other attempts to harm our systems. Our data centers are also subject to break-ins, sabotage, and intentional acts of vandalism, and to potential disruptions. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Any problems at our data centers could result in lengthy interruptions in our service. In addition, our products and services are highly technical and complex and may contain errors or vulnerabilities, which could result in interruptions in our services or the failure of our systems.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and noncompliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our reputation, business, financial condition, and results of operations.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities, including the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations. The FCPA prohibits us and our officers, directors, employees, and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing, or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records, and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. A violation of these laws or regulations could adversely affect our business, reputation, financial condition, and results of operations.

We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. We also have business collaborations with government agencies and state-owned affiliated entities. These interactions subject us to an increasing level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants, agents, and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which could materially and adversely affect our reputation, business, financial condition, and results of operations.

We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations, and financial condition.

We may be subject to legal proceedings from time to time in the ordinary course of our business, which could have a material adverse effect on our business, results of operations, and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by our users, our competitors, governmental entities in civil or criminal investigations and proceedings, or other entities. These claims could be asserted under a variety of laws, including but not limited to product liability laws, consumer protection laws, intellectual property laws, labor and employment laws, securities laws, tort laws, contract laws, property laws, and employee benefit laws. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming, and ultimately futile. These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal, civil, and administrative fines and penalties.

We and certain of our directors or officers have been named as defendants in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We and certain of our officers and directors have been named as defendants in two putative securities class actions filed in May 2024 in the U.S. District Court for the Eastern District of New York, captioned Banurs v. Li Auto Inc. et al, No. 24-cv-03470 and Chaudary v. Li Auto Inc. et al, No. 1:24-cv-03725. Both cases were purportedly brought on behalf of a class of persons who claim to have suffered damages as a result of alleged misstatements and omissions in the Company's SEC filings regarding its business outlook, in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On December 30, 2024, the Court appointed a lead plaintiff and ordered both cases be consolidated under the caption Banurs v. Li Auto Inc. et al, No. 24-cv-03470. On March 27, 2025, the plaintiffs filed a first amended complaint, followed by a second amended complaint on June 6, 2025. On July 2, 2025, the individual defendants accepted service of the second amended complaint. On July 21, 2025, the Company and the individual defendants filed a motion to dismiss the second amended complaint. Briefing on the motion to dismiss was completed on October 9, 2025, and a decision on the motion to dismiss is currently pending. The case remains in its preliminary stage. We are currently unable to predict the outcome of this lawsuit or any possible loss or range of loss, if any, associated with the resolution thereof. In the event that our initial defense of this case is unsuccessful, there can be no assurance that we will prevail in any appeal. We may also face new legal proceedings, claims and investigations in the future. The existence of such cases and any adverse outcome of these cases, including any plaintiff's appeal of a judgment, could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows as well as the trading price of our ADSs. Resolution of these matters may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

A severe or prolonged downturn in the macroeconomy could materially and adversely affect our business, financial condition, and results of operations.

The global macroeconomic environment faces numerous challenges. Like certain other developed and developing economies, the Chinese economy has experienced, and may continue to experience from time to time, slowing growth rate and issues affecting population growth. In light of ongoing inflationary pressure, the Federal Reserve and other central banks raised interest rates in 2023, with a series of bank failures, and started to lower interest rates in 2024 and 2025. However, inflation continue to be a threat to the global economy. Regional conflicts, such as the Russia-Ukraine conflict, the Hamas-Israel conflict, and attacks on shipping in the Red Sea have heightened geopolitical tensions across the world. The impact of the Russia-Ukraine conflict on Ukraine food exports has contributed to increases in food prices and thus to inflation more generally. There also have been concerns about the relationship between China and other countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a wide range of issues including trade policies, treaties, government regulations, and tariffs. The Trump Administration, after coming into power in January 2025, has implemented various political and economic policies, many of which were targeted on China, further creating uncertainties to the U.S.-China relationship and the macroeconomy in general. In recent years, a large number of jurisdictions have imposed higher tariffs and other protective measures on imports and exports, and such protectionist policies could discourage cross-border transactions and globalization.

Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence, and dramatic changes in business and consumer behaviors. Sales of premium products, such as our vehicles, depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce, or cancel purchases of our vehicles and our results of operations may be materially and adversely affected.

Unexpected termination of leases, failure to renew the lease of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business.

We lease the premises for manufacturing, research and development, retail stores, delivery and servicing centers, offices, and charging stations. We cannot assure you that we would be able to renew the lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be adversely affected.

Risks Relating to Our Corporate Structure

If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Current PRC laws and regulations place certain restrictions on foreign ownership of certain areas of businesses. For example, pursuant to the 2024 Negative List, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multiparty communications, store-and-forward, and call centers). In addition, foreign investors are prohibited from investing in companies engaging in radio and television program production businesses.

Li Auto Inc. is a Cayman Islands company and our PRC subsidiaries are considered foreign-invested enterprises. Therefore, neither Li Auto Inc. nor our foreign-invested enterprises are currently eligible to apply for the required licenses for providing internet information services or other value-added telecommunication services or conduct other businesses that are restricted or prohibited from foreign-owned companies in China. To comply with applicable PRC laws and regulations, we conduct certain operations in China through the VIEs and their subsidiaries by entering into a series of contractual arrangements with the VIEs in China and their respective shareholders. In particular, Beijing CHJ holds a Surveying and Mapping Qualification Certificate. Beijing Chelixing Information Technology Co., Ltd., a wholly-owned subsidiary of Beijing CHJ, currently holds an ICP License and an Operating License for the Production and Dissemination of Radio and Television Programs. Such structure enables investors to share economic interests in China-based companies in sectors where foreign direct investment is prohibited or restricted under laws and regulations in the Chinese mainland. For a detailed description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure."

In the opinion of Han Kun Law Offices, our PRC legal counsel, as of the date of this annual report, (i) the ownership structures of our wholly-owned subsidiary, Beijing Co Wheels Technology Co., Ltd., or Wheels Technology, and the VIEs in China are not in violation of any explicit provisions of PRC laws and regulations currently in effect; and (ii) each of the contracts among Wheels Technology, the VIEs, and their respective shareholders governed by PRC laws is valid and binding. However, we have been advised by our PRC legal counsel that the interpretation and application of current and future PRC laws, regulations, and rules are evolving, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC legal counsel.

However, Li Auto Inc. is not a Chinese operating company but a Cayman Islands holding company with no equity ownership in the VIEs and their subsidiaries. We conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIEs, with which we have maintained contractual arrangements, and their subsidiaries. Investors in our Class A ordinary shares or the ADSs thus are not purchasing equity interest in the VIEs in China but instead are purchasing equity interest in a Cayman Islands holding company, and may never directly hold equity interests in the VIEs in China. In addition, the legality and enforceability of the contractual agreements between our PRC subsidiaries, the VIEs, and their nominee shareholders, as a whole, have not been tested in a court of law in China. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. We may not be able to repay our indebtedness, and our securities may significantly decline in value, if we are unable to assert our contractual control rights over the assets of the VIEs and their subsidiaries. Our holding company in the Cayman Islands, the VIEs and their subsidiaries, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect the financial performance of the VIEs and our company as a group.

In addition, it is uncertain whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide. In particular, the National People's Congress approved the Foreign Investment Law on March 15, 2019, which took effect on January 1, 2020. In addition, the State Council approved the Implementation Rules of Foreign Investment Law on December 26, 2019, which took effect on January 1, 2020. We cannot ascertain how the Foreign Investment Law and its implementation rules would impact us, including whether it would represent a major change to the laws and regulations relating to the VIE structures. See “—Risks Relating to Doing Business in China—The interpretation and implementation of the PRC Foreign Investment Law and its implementation rules are evolving, and we cannot fully ascertain how they may impact the viability of our current corporate structure, corporate governance, and operations.” We cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration, or other regulatory requirements, with existing policies, or with requirements or policies that may be adopted in the future. For example, on February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, which are aimed to regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime and took effect on March 31, 2023. Companies in the Chinese mainland that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report any required information. At a press conference held for these regulations on February 17, 2023, officials from the CSRC clarified that, as for companies seeking overseas offering and listing with VIEs and applying to file with the CSRC, the CSRC will solicit opinions from the PRC regulatory authorities and complete the filing of the overseas listing of such companies if such companies duly meet the compliance requirements. If we fail to complete the filing with the CSRC in a timely manner, or at all, for our further capital raising activities which are subject to filing requirements under these regulations due to the VIE structure, we may be required to unwind the VIEs or adjust our business operations to meet the filing requirements and our ability to raise or utilize funds could be materially and adversely affected.

If the ownership structure, contractual arrangements, and businesses of our PRC subsidiaries or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or the VIEs fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures in accordance with applicable laws, including:

- revoking the business licenses or operating licenses of such entities;
- shutting down our servers or blocking our website or our mobile application, or discontinuing or placing restrictions or onerous conditions on our operation through any transactions between our PRC subsidiaries and the VIEs;
- imposing fines, confiscating the income from our PRC subsidiaries or the VIEs, or imposing other requirements with which we or the VIEs may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with the VIEs and deregistering the equity pledge of the VIEs, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over the VIEs; or
- restricting or prohibiting our use of the proceeds of our offshore offerings to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business.

Any of these or similar occurrences could significantly disrupt our or the VIEs' business operations or restrict the VIEs from conducting a substantial portion of their business operations, which could materially and adversely affect the business, financial condition, and results of operations of the VIEs and us. If any of these occurrences results in our inability to direct the activities of any of the VIEs that most significantly impact its economic performance, and/or our failure to receive the economic benefits from any of the VIEs, we may not be able to consolidate these entities in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with the VIEs and their respective shareholders to maintain a controlling financial interest in the VIEs, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with the VIEs and their respective shareholders to conduct a portion of our operations in China. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure." The respective shareholders of the VIEs may not act in the best interests of our company or may not perform their obligations under these contracts. If we had direct ownership of the VIEs, we would be able to exercise our rights as a shareholder to control the VIEs to excise rights of shareholders to effect changes in the board of directors of the VIEs, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the contractual arrangements, we would rely on legal remedies under PRC laws for breach of contract in the event that the VIEs and their respective shareholders did not perform their obligations under the contracts. These legal remedies may not be as effective as direct ownership in providing us with control over the VIEs.

If the VIEs or their respective shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements, and rely on legal remedies under PRC laws, including contractual remedies, which may not be sufficient or effective. All of the agreements under our contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. As a result, we cannot assure you that these contractual arrangements could be enforced as anticipated to. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of an VIE should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in the PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or face other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over the VIEs, and our ability to conduct our business may be negatively affected. See "—Risks Relating to Doing Business in China—The PRC legal system is developing, which could lead to uncertainties that adversely affect us."

Our ability to enforce the equity pledge agreements between us and the VIEs' shareholders may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity interest pledge agreements between Beijing CHJ and Xindian Information, the VIEs, their respective shareholders, and Wheels Technology, our wholly-owned PRC subsidiary, each shareholder of Beijing CHJ and Xindian Information agrees to pledge its equity interests in the VIE to our subsidiary to secure Beijing CHJ and Xindian Information's performance of the VIE's obligations under the contractual arrangements. The equity interest pledge of shareholders of Beijing CHJ and Xindian Information has been registered with the local branch of the SAMR. The equity interest pledge agreements with the VIEs' shareholders provide that the pledged equity interest must constitute continuing security for any and all of the indebtedness, obligations and liabilities under the agreements and the scope of pledge cannot be limited by the amount of the registered capital of that VIE. However, a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity interest pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which typically takes last priority among creditors.

If we exercise the option to acquire equity ownership of the VIEs, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Provisions on Administration of Foreign-Invested Telecommunications Enterprises, the ultimate foreign equity ownership in a value-added telecommunications services provider cannot exceed 50%, except in certain regulatory exceptions. If the PRC laws were revised to allow foreign investors to hold over 50% of the equity interests in value-added telecommunications enterprises providing internet information service, we might be unable to unwind our contractual arrangements with the VIEs, or if we attempt to unwind the contractual arrangements, we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition, and results of operations.

Pursuant to the contractual arrangements, Wheels Technology or its designated person has the exclusive right to purchase all or part of the equity interests in our consolidated VIEs at the lower of the amount of their respective paid-in capital in the consolidated VIE and the lowest price permitted under applicable PRC laws. Subject to applicable laws and regulations, the shareholders of our consolidated VIEs will return any amount of purchase price they have received to Wheels Technology. If such a transfer takes place, the tax authority may ask Wheels Technology to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

The registered shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The registered shareholders of Beijing CHJ and Xindian Information, the VIEs, may have potential conflicts of interest with us. These shareholders may breach, or cause the VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIEs, which would have a material and adverse effect on our ability to effectively control the VIEs and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the VIEs to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in the VIEs to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individual shareholders who are also our directors, we rely on them to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. There is currently no specific and clear guidance under PRC laws that addresses any conflict between PRC laws and laws of Cayman Islands in respect of any conflict relating to corporate governance. If we cannot resolve any conflict of interest or dispute between us and the shareholders of the VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of the VIEs may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in the VIEs and the validity or enforceability of our contractual arrangements with the entity and its shareholders. For example, in the event that any of the shareholders of the VIEs divorces his or her spouse, the spouse may claim that the equity interest of the VIE held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the equity interest may be obtained by the shareholder's spouse or another third party who is not subject to obligations under our contractual arrangements, which could result in a loss of the effective control over the VIE by us. Similarly, if any of the equity interests of the VIEs is inherited by a third party with whom the current contractual arrangements are not binding, we could lose our control over the VIE or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Our contractual arrangements with the VIEs may be subject to scrutiny by the PRC tax authorities and they may determine that we or the VIEs owe additional taxes, which could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust the income of the VIEs in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the VIEs for PRC tax purposes, which could in turn increase its tax liabilities without reducing Wheels Technology's tax expenses. In addition, if Wheels Technology requests the shareholders of the VIEs to transfer their equity interest in the VIEs at nominal or no value pursuant to the contractual agreements, such transfer could be viewed as a gift and subject Wheels Technology to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on the VIEs for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if any of the VIEs' tax liabilities increase or they are required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by the VIEs that are material to the operation of our business if either of the VIEs goes bankrupt or becomes subject to dissolution or liquidation proceeding.

As part of our contractual arrangements with the VIEs, these entities may in the future hold certain assets that are material to the operation of our business. If either of the VIEs goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the VIEs may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If either of the VIEs undergoes voluntary or involuntary liquidation proceeding, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

Changes in China's economic, political, or social conditions, or government policies could have a material and adverse effect on our business, financial condition, and results of operations.

Substantially all of our revenues are derived in China and substantially all of our operations, including all of our manufacturing, are conducted in China. Accordingly, our financial condition, results of operations, and prospects are influenced by economic, political, and legal developments in China. China's economy has unique characteristics in many respects, including with respect to regulations, growth rate, and regulation of foreign exchange. The PRC government has significant authority to exert influence on the ability of a China-based company, such as us, to conduct its business in accordance with applicable laws. Therefore, investors of our company and our business face uncertainty about potential future actions by the PRC government. The PRC government also exercises significant control over China's economic growth through controlling the payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, there can be no assurance that the growth would be even across sectors or continue. Any adverse changes in the economic conditions in China, in the policies of the PRC government, or in the PRC laws and regulations, could materially and adversely affect our operations. Any severe or prolonged economic downturn could adversely affect our business and operating results, leading to reduction in demand for our products, and adversely affect our competitive position.

Our ability to successfully maintain or grow business operations in China depends on various factors, some of which are beyond our control. These factors include, among others, macro-economic and other market conditions, political stability, social conditions, measures to control inflation or deflation, changes in the rate or method of taxation, changes in laws, regulations, and administrative directives or their interpretation, and changes in industry policies. If we fail to take timely and appropriate measures to adapt to any of the changes or challenges, our business, financial condition, and results of operations could be materially and adversely affected. In addition, the PRC government has oversight and discretion over the conduct of our business in accordance with PRC laws and regulations and may influence our operations. Our failure to meet the requirements in accordance with applicable laws could result in a material adverse change in our business operations and/or the value of our securities.

The PRC legal system is developing, which could lead to uncertainties that adversely affect us.

We conduct our business primarily through our PRC subsidiaries and the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. There is limited volume of published court decisions, which may be cited for reference but have limited precedential value unless otherwise stipulated by the Supreme People's Court. The PRC legal system is developing rapidly, and the interpretation of laws, regulations, and rules and the enforcement of these laws, regulations, and rules could lead to uncertainties. For example, the revised PRC Company Law, which took effect on July 1, 2024, makes substantial changes in a number of areas, including, among others, imposing time limit for capital contribution to existing and future companies so that companies established before the new Company Law takes effect with a term of capital contributions exceeding the time limit must adjust their schedule of capital contribution unless otherwise provided by relevant laws and regulations or the State Council. We may be required to fulfill our capital contribution obligations to our PRC subsidiaries or to provide financial support to the nominee shareholders of the VIEs within a significantly shorter timeframe than currently stipulated pursuant to the new Company Law. However, as the new Company Law is relatively new, its implementation and interpretation remain uncertain.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. The administrative and court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection that we enjoy. These uncertainties may impede our ability to enforce the contracts that we have entered into and could materially and adversely affect our business, financial condition, and results of operations. In addition, we may not always be aware of our violation of government policies and rules promptly. Such unpredictability towards our contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment could materially and adversely affect our business and impede our ability to continue our operations.

We may be adversely affected by the complexity and changes in PRC regulations on automotive and internet-related businesses and companies.

We operate in highly regulated industries. In particular, automobile manufacturing is subject to extensive regulations in China. See “Regulations on Manufacturing of New Energy Passenger Vehicles,” “Regulations on Compulsory Product Certification,” “Regulations on Automobile Sales,” and “Regulations on the Recall of Defective Automobiles” under “Item 4. Information on the Company—B. Business Overview—Regulations.” Several PRC government authorities, such as the SAMR, the NDRC, the MIIT, and the Ministry of Commerce, oversee different aspects of our operations, including but not limited to:

- assessment of vehicle manufacturing enterprises;
- production capacity at our manufacturing facilities;
- market admission of NEVs;
- compulsory product certification;
- direct sales model and sales activities;
- product liabilities;
- vehicle maintenance and repair; and
- environmental protection system; and work safety and occupational health requirements.

We are required to obtain a wide range of government approvals, licenses, permits, and registrations in connection with our operations as well as to follow multiple mandatory standards or technical norms in our manufacturing and our vehicles. However, the implementation of new regulations targeting the industries in which we operate may affect our operations, including impositions of additional requirements that may disrupt or restrict our operations, reduce our competitiveness, or result in substantial compliance costs. For example, pursuant to the Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products, which was promulgated by the MIIT in January 2017 and amended in July 2020, our vehicles must meet the requirements set forth in the New Energy Vehicle Products Special Examination Project and Standards stipulated and amended by the MIIT from time to time. In addition, certain filings must be made by automobile dealers through the information system for the national automobile circulation operated by the relevant commerce department within 90 days after the receipt of a business license and the information must be updated within 30 days after the change of basic information recorded. Our direct sales model is relatively new and uncommon in the automotive industry, and we cannot assure you that this model will not be subject to further regulations. We are also required to complete filings with the local government authorities in connection with providing vehicle maintenance and repair services. As we are expanding our sales and distribution network and setting up additional retail stores, servicing centers, and Li Auto-authorized body and paint shops in China, we cannot assure you that we will be able to complete such filings in a timely manner, or at all. If any of our current or future sales subsidiaries or branches or our subsidiaries or branches providing vehicle maintenance and repair services fail to make the necessary filings, such subsidiaries or branches may be subject to orders to promptly rectify the non-compliance or fines.

Our automotive vehicles support various novel features that are subject to evolving regulatory requirements. In the field of autonomous driving, in 2025, the PRC government further tightened the eligibility and road-testing standards for autonomous driving technologies. The evolving regulatory framework imposes more rigorous requirements on safety assessments, liability determinations, and data processing compliance for autonomous driving systems, which may delay the roll-out of our advanced smart driving features and increase ongoing compliance and R&D expenditures. With respect to over-the-air (OTA) updates, regulatory authorities have recently enhanced scrutiny over the use of OTA updates to alter vehicle performance or remediate safety defects. Frequent or significant OTA updates now require more complex filing procedures and may be characterized as “recalls,” which limits our ability to rapidly iterate software functions and could adversely impact our brand reputation.

The regulatory framework to regulate the NEV industry in China is evolving. In 2025, new regulations were implemented concerning the payment terms to small and medium-sized enterprises, which have restricted our autonomy over supply payment cycles. Should regulators mandate shorter payment windows, our operating cash flow and working capital management may experience short-term pressure, thereby impacting our capital deployment efficiency. In the same year, regulatory authorities and industry associations also intensified restrictions on “involution-style”, meaning cutthroat, competition, aiming to steer the industry towards more value-based competition and orderly expansion. Related pricing guidelines or self-disciplinary pacts may limit our flexibility to gain market share through aggressive pricing strategies, potentially impacting our sales volume growth targets. We cannot assure you that we have satisfied or will continue to satisfy all of the laws, rules, and regulations in the timely manner or at all. Changes in government policies may create uncertainty that could adversely affect our business operations. The interpretation and implementation of existing laws, rules, and regulations are subject to regulatory discretion and may change in the future, which could materially and adversely affect the validity of the approvals, qualifications, licenses, permits, and registrations we obtained or completed. Any failure to comply may result in fines, restrictions, and limits on our operations, as well as suspension or revocation of certain certificates, approvals, permits, licenses, or filings we have already obtained or made.

In addition, the PRC government imposes foreign ownership restriction and the licensing and permit requirements for companies in the internet industry. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Investment in China” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Value-added Telecommunications Services.” These laws and regulations are relatively new and are evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. We do not directly conduct such business due to the restrictions on foreign investment in businesses providing value-added telecommunications services in China and we rely on contractual arrangements with the VIEs to operate value-added telecommunications services. Beijing Chelixing Information Technology Co., Ltd. currently holds an ICP License. The VIEs and their subsidiaries may be required to obtain additional licenses or permits for certain services carried out by us through our mobile application or to update our existing licenses or permits. Failure to obtain or update such license may significantly disrupt our business, subject us to sanctions, compromise enforceability of related contractual arrangements, or have other adverse impacts on us.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. Renminbi has fluctuated against Hong Kong dollars and U.S. dollars, at times significantly and unpredictably. The value of Renminbi against Hong Kong dollars, U.S. dollars, and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. As we expand our international operations, we are increasingly exposed to fluctuations in other foreign currencies beyond U.S. and Hong Kong dollars. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars and U.S. dollars in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and U.S. dollars in the future.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Class A ordinary shares or ADSS in foreign currency. For example, to the extent that we need to convert U.S. dollars that we receive from our overseas offering into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollars would have an adverse effect on the Renminbi amount that we would receive from the conversion. Conversely, a significant depreciation of Renminbi against U.S. dollars may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Class A ordinary shares or ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. We enter into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk when we deem appropriate. While we may decide to enter into further hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Discontinuation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

Our PRC subsidiaries currently benefit from a number of preferential tax treatments. For example, Beijing CHJ is entitled to enjoy, after completing certain application formalities, a 15% preferential enterprise income tax from 2019 as it has been qualified as a high and new technology enterprise under the PRC Enterprise Income Tax Law and related regulations. The discontinuation of any of the preferential income tax treatment that we currently enjoy could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain or lower our current effective tax rate in the future.

In addition, our PRC subsidiaries have received various financial subsidies from PRC local government authorities. The financial subsidies result from discretionary incentives and policies adopted by PRC local government authorities. Local government authorities may decide to change or discontinue such financial subsidies at any time. The discontinuation of such financial subsidies or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Furthermore, various jurisdictions around the world have enacted or are considering enacting digital services taxes, which could lead to inconsistent and potentially overlapping international tax regimes applicable to highly-digitalized businesses. In 2021, the Organization for Economic Cooperation and Development announced an Inclusive Framework on Base Erosion and Profit Shifting including Pillar Two Model Rules defining the global minimum tax, which calls for the taxation of large multinational corporations at a minimum rate of 15%. Subsequently, multiple sets of administrative guidance have been issued. Various tax jurisdictions have either recently enacted legislation to adopt certain components of the Pillar Two Model Rules beginning in 2024 with the adoption of additional components in later years or announced their plans to enact such legislation in future years. We will continue to evaluate the impact of such legislative initiatives in the tax jurisdictions we operate in. These rules and implementations are evolving, and there is no guarantee that our results of operations and financial condition would not be materially impacted.

Our leased property interest may be defective and our right to lease the properties affected by such defects challenged, which could cause significant disruption to our business.

Under PRC laws, all lease agreements are required to be registered with the local housing authorities. We presently lease several premises in China, some of which the landlords have not completed the registration of their ownership rights or the registration of our leases with the authorities. Failure to complete these required registrations may expose our landlords, lessors and us to potential monetary fines. If these registrations are not obtained in a timely manner or at all, we may be subject to monetary fines or may have to relocate our offices and incur the associated losses.

Some of the ownership certificates or other similar proof of certain leased properties or authorization documents have not been provided to us by the lessors. Therefore, we cannot assure you that such lessors are entitled to lease those real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased real properties, we could be required to vacate the properties, in the event of which we could only initiate the claim against the lessors under the lease agreements for indemnities for their breach of the leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be adversely affected.

The PRC government's oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our Class A ordinary shares or ADSs.

We conduct our business primarily through our PRC subsidiaries and the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations and government policies. The PRC government has oversight and discretion over the operation of our business in accordance with PRC laws and regulations and may influence our operations. Failure to comply with applicable laws and regulations could result in a material adverse change in our operation and the value of our Class A ordinary shares or ADSs.

In recent years, the PRC government has strengthened oversight over overseas offerings by and foreign investment in China-based issuers like us. For example, on July 6, 2021, the PRC government authorities promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities, which stated that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of the domestic industry regulatory authorities and other regulatory authorities.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC government authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, in addition to “critical information infrastructure operators,” network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review. The government authorities may initiate the cybersecurity review against the operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security. In addition, the Cybersecurity Review Measures provides that network platform operators holding personal information of over one million users must apply with the Cybersecurity Review Office for a cybersecurity review before public offering on a foreign stock exchange. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign government and the cybersecurity risk in connection with the listing. Although our securities have been listed on the Nasdaq Global Select Market and the Hong Kong Stock Exchange, given the Cybersecurity Review Measures are relatively new, we cannot fully ascertain how these measures would affect us.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, which took effect on March 31, 2023. Pursuant to these regulations, companies in the Chinese mainland that directly or indirectly offer or list their securities in an overseas market, including a company in the Chinese mainland limited by shares and an offshore company whose main business operations are in the Chinese mainland and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in the Chinese mainland are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under these regulations or conceals any material fact or falsifies any major content in its filing documents may subject the company to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, direct officers-in-charge and other direct personnel-in-charge may also be subject to administrative penalties, such as warnings and fines. These regulations also provide that a company in the Chinese mainland must file with the CSRC within three business days for its follow on offering of securities after it is listed in an overseas market. Therefore, we are subject to the filing requirements for our future capital raising activities under these regulations. As these regulations were newly promulgated, its interpretation, application and enforcement remain unclear and there remains uncertainties as to how these regulations will affect our operations and future overseas offerings. We cannot assure you that we will be able to complete such filing in a timely manner and fully comply with such regulations to maintain the listing status of our securities, or to conduct any securities offerings in the future.

It remains uncertain how PRC government authorities will regulate overseas listing in general. If the PRC government authorities later promulgate new rules or explanations requiring that we obtain their approvals for our future overseas offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of new laws and regulations may significantly affect the industries where we operate, which could have material adverse change in our operations and cause the value of our securities to significantly decline.

The PCAOB had historically been unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past had deprived our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. The auditor is located in China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in our ordinary shares or the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of registered public accounting firms in China in the past made it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely registered public accounting firms in mainland China and Hong Kong, and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we and investors in our ordinary shares or the ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in our ordinary shares or the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely registered public accounting firms located in mainland China and Hong Kong. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Pursuant to the HFCAA, as amended by the Consolidated Appropriations Act, 2023, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or the ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we were not identified as a Commission-Identified Issuer under the HFCAA after we filed our annual report on Form 20-F for the fiscal year ended December 31, 2022, 2023 or 2024, and do not expect to be so identified after we file this annual report on Form 20-F for the fiscal year ended December 31, 2025.

Each year, the PCAOB will determine whether it can inspect and investigate completely registered public accounting firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely registered public accounting firms in mainland China and Hong Kong and we use such an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. Although our Class A ordinary shares have been listed on the Hong Kong Stock Exchange and the ADSs and Class A ordinary shares are fully fungible, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity, if our shares and ADSs are prohibited from trading in the United States. A prohibition of being able to trade in the United States would substantially impair our ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

The interpretation and implementation of the PRC Foreign Investment Law and its implementation rules are evolving, and we cannot fully ascertain how they may impact the viability of our current corporate structure, corporate governance, and operations.

On March 15, 2019, the PRC National People’s Congress approved the PRC Foreign Investment Law, which took effect on January 1, 2020. On December 26, 2019, the PRC State Council approved the Implementation Rules of Foreign Investment Law, which took effect on January 1, 2020. The Foreign Investment Law and its implementation rules embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since the Foreign Investment Law and its implementation rules are evolving, their interpretation and implementation could lead to uncertainties.

The VIE structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. See “—Risks Relating to Our Corporate Structure.” Under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Although it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition contains a catch-all provision providing that investments made by foreign investors through other methods specified in laws or administrative regulations or other methods prescribed by the State Council, which leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a method of foreign investment. Given the foregoing, it is uncertain whether our contractual arrangements will be deemed to be in violation of the market entry clearance requirements for foreign investment under the PRC laws and regulations.

The Foreign Investment Law specifies that foreign investments must be conducted in line with the “negative list” to be issued by or approved to be issued by the State Council. A foreign-invested enterprise would not be allowed to make investments in prohibited industries in the “negative list,” while the foreign-invested enterprise must satisfy certain conditions stipulated in the “negative list” for investment in restricted industries. It is uncertain whether the value-added telecommunication service industry, in which the VIEs and their subsidiaries operate, will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued in the future, although it is subject to the foreign investment restrictions set forth in the currently effective negative list. Moreover, the Foreign Investment Law does not indicate what actions must be taken by existing companies with a VIE structure to obtain the market entry clearance if such structure would be deemed as a method of foreign investment. If the VIE structure would be deemed as a method of foreign investment, and any of our business operation would fall in the “negative list,” and if the interpretation and implementation of the Foreign Investment Law and the final “negative list” mandate further actions, such as market entry clearance granted by the Ministry of Commerce, to be completed by companies with an existing VIE structure like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. There are uncertainties as to how the Foreign Investment Law would be further interpreted and implemented. We cannot assure you that the interpretation and implementation of the Foreign Investment Law made by the governmental authorities in the future will not materially impact the viability of our current corporate structure, corporate governance, and business operations in any aspect.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of the applicable statutory conditions and procedures, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. For a detailed discussion of applicable PRC regulations governing distribution of dividends, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Dividend Distribution.” Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, the PRC tax authorities may require our subsidiaries to adjust their taxable income under the contractual arrangements they currently have in place with the VIEs in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us. See “—Risks Relating to Our Corporate Structure—Our contractual arrangements with the VIEs may be subject to scrutiny by the PRC tax authorities and they may determine that we or the VIEs owe additional taxes, which could negatively affect our financial condition and the value of your investment.” For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders.” In addition, the incurrence of indebtedness by our PRC subsidiaries could result in operating and financing covenants and undertakings to creditors that would restrict the ability of our PRC subsidiaries to pay dividends to us.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business. See “—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China’s overall economy and the average wage in China have increased in recent years and are expected to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will increase. Unless we are able to pass on these increased labor costs to our users, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make social insurance payments and contribute to the housing provident funds. If we are deemed to have violated labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations will be adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands, while we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and all our senior executive officers are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other jurisdictions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which took effect in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory. The Provisions on Strengthening the Confidentiality and Archive Management Work Relating to the Overseas Securities Offering and Listing by Domestic Companies, which took effect on March 31, 2023, provide that the investigation and evidence collection relating to the overseas securities offering and listing of PRC domestic companies by the overseas securities regulatory authorities and other relevant authorities must be conducted through a cross-border cooperation mechanism for supervision and administration, and that the PRC domestic companies must obtain prior consent from the CSRC or other authorities before cooperating with such overseas authorities in connection with the inspections or investigations or providing documents to such overseas securities regulatory authorities or other relevant authorities. The inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase the difficulties you face in protecting your interests. See also "Item 3. Key Information—D. Risks Relating to Our Shares and ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law" for risks associated with investing in us as a Cayman Islands company.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our overseas offerings to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilize the proceeds from our overseas offerings to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount and approval requirements. For more details, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Exchange.” These PRC laws and regulations may significantly limit our ability to use Renminbi converted from the net proceeds of our overseas offerings to fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new VIEs in China. Moreover, we cannot assure you that we will be able to complete the necessary registrations or filings, or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or filings, or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On December 26, 2017, the NDRC issued the Management Rules for Overseas Investment by Enterprises. On January 31, 2018, the Catalog on Overseas Investment in Sensitive Industries (2018 Edition) was promulgated. Overseas investment governed by these rules refers to the investment activities conducted by an enterprise located in the PRC territory either directly or via an overseas enterprise under its control through investment with assets and equities or providing financing or guarantees in order to obtain overseas ownership, control, management rights, and other related interests, and overseas investment by a PRC individual through overseas enterprises under his or her control is also subject to these rules. According to these rules, any overseas investment in a sensitive industry or any direct investment by a Chinese enterprise in a non-sensitive industry with an investment amount of over US\$300 million requires prior approval from, or filing with, the NDRC respectively, and for overseas investments indirectly by Chinese investors (including PRC individuals) in a non-sensitive industry with an investment amount of over US\$300 million need to be reported. However, there remain uncertainties with respect to the interpretation and application of these rules, including whether our overseas investments will be subject to these rules. If we fail to obtain the approval, complete the filing, or report our overseas investment with our proceeds (as the case may be) in a timely manner provided that these rules are applicable, we may be forced to suspend or cease our investment, or be subject to penalties or other liabilities, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

Government regulations of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes regulations on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and the VIEs to pay off their respective debt in a currency other than Renminbi owned to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Exchange.” Any failure to comply with applicable foreign exchange regulations may subject us to administrative fines or, if serious, criminal penalties, which could materially and adversely affect the value of your investment. We cannot assure you that additional restrictions on the convertibility of Renminbi into foreign currencies for current account transactions will not be imposed in the future. We receive substantially all of our revenues in Renminbi. If we are unable to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Class A ordinary shares or ADSs.

Any failure to comply with PRC regulations relating to overseas investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

SAFE requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes certain material events. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Exchange—Offshore Investment.”

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and any proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with SAFE registration requirements could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interests in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As of the date of this annual report, our founder, Mr. Xiang Li, Mr. Tie Li, and ten other PRC residents known to us that currently hold direct or indirect ownership interests in our company had completed the required initial registrations with SAFE. Mr. Xiang Li and four other officers, directors, or PRC residents are planning to continue to update the registrations with SAFE with respect to the capital of their respective offshore holding vehicles. As a result, we cannot assure you that all of our shareholders or beneficial owners that are PRC residents, including the beneficiaries of certain trusts directly or indirectly holding interests in our company, have complied with, and will in the future make, obtain, or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Certain PRC regulations regarding cross-border mergers and acquisitions establish procedures and requirements for certain acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations have established procedures and requirements for merger and acquisition activities in China by foreign investors, which might be time consuming and complex. In addition to the Anti-monopoly Law itself, these include the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors adopted by six PRC regulatory agencies in 2006 and amended in 2009, and the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated in 2011. These laws and regulations impose requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. The Anti-Monopoly Law, which was amended on June 24, 2022 and took effect on August 1, 2022, requires that the anti-monopoly enforcement agency be notified in advance of any concentration of undertaking if certain thresholds are triggered. The Anti-Monopoly Law also increases the fines for illegal concentration of business operators to no more than ten percent of its last year's sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions, or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The Anti-Monopoly Law provides that the authorities should investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold. In addition, on February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines for the Internet Platform Economy Sector, which stipulates that any concentration of undertakings involving variable interest entities is subject to anti-monopoly review.

In addition, the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the Ministry of Commerce jointly issued the Measures for the Security Review for Foreign Investment, which took effect on January 18, 2021. These measures set forth the provisions concerning the security review mechanism on foreign investment, including, among others, the types of investments subject to review, and the review scopes and procedures. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the Ministry of Commerce and other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under SAFE regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Employment and Social Welfare—Employee Stock Incentive Plan.” We and our PRC resident employees who participate in our share incentive plans are subject to these regulations as we are publicly listed in the United States. We are in the process of registration with the local counterparts of SAFE for our PRC resident employees who participate in our share incentive plans as required under the rules. If we or any of these PRC resident employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers, employees, and consultants under PRC law.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of China with a “de facto management body” within China is considered a PRC resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. The State Taxation Administration, issued a circular in April 2009 and amended it in January 2014, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the State Taxation Administration’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to this circular, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, gains realized on the sale or other disposition of our Class A ordinary shares or ADSs may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the Class A ordinary shares or ADSs.

We may not be able to obtain certain benefits under the arrangement between mainland China and Hong Kong on dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiary.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC “resident enterprise” to a foreign enterprise investor, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement Between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Treaties, which took effect in January 2020, require non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file reports and materials with the tax authorities. In addition, based on the Notice on Issues concerning Beneficial Owner in Tax Treaties issued on February 3, 2018 by the State Taxation Administration, which took effect on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of the applicant’s income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on the income or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. There are also other conditions for enjoying the reduced withholding tax rate according to other tax rules and regulations. See “Item 10. Additional Information—E. Taxation—PRC Taxation.” We intend to re-invest all earnings, if any, generated from our PRC subsidiaries for the operation and expansion of our business in China. Should our tax policy change to allow for offshore distribution of our earnings, we would be subject to a significant withholding tax. Our determination regarding our qualification to enjoy the preferential tax treatment could be challenged by the tax authority and we may not be able to complete the necessary filings with the tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiary.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

In February 2015, the State Taxation Administration issued the Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises. The notice extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, the notice provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. The notice also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the nonresident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the State Taxation Administration issued the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, which took effect on December 1, 2017. This announcement further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises and the Announcement of the State Taxation Administration on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC laws, legal documents for corporate transactions are executed using the chops or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries, the VIEs, and their subsidiaries have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. All designated legal representatives of our PRC subsidiaries, the VIEs, and their subsidiaries are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries, the VIEs, and their subsidiaries under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel in the legal or finance department of each of our subsidiaries, the VIEs, and their subsidiaries. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiaries, the VIEs, or their subsidiaries, we or our PRC subsidiaries, the VIEs, and their subsidiaries would need to pass a new shareholders or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

Risks Relating to Our Shares and ADSs

The trading price of our Class A ordinary shares or ADSs has been and may be volatile, which could result in substantial losses to investors.

The trading price of our Class A ordinary shares or the ADSs has been volatile since they started to trade on the respective stock exchange, and could fluctuate widely due to factors beyond our control. In addition, the stock market in general, and the market prices for companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings in recent years, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of these companies' securities after their offerings may affect the attitudes of investors towards China-based companies listed in the United States in general, which consequently may impact the trading performance of our Class A ordinary shares or the ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other China-based companies may also negatively affect the attitudes of investors towards China-based companies in general, including us, regardless of whether we have engaged in any inappropriate activities. In particular, the heightened geopolitical tensions in 2025 and the resulting shifts in international capital flows have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect the market price of our Class A ordinary shares or the ADSs. Volatility or a lack of positive performance in our Class A ordinary shares or the ADSs price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

In addition to market and industry factors, the price and trading volume for our Class A ordinary shares or the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;

- detrimental adverse publicity about us, our services or our industry;
- fluctuations in order intake, uncertainties in delivery outlook, and discrepancies between projected and actual vehicle deliveries;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- time zone difference, trading volume discrepancies and potential arbitrage between the Hong Kong Stock Exchange and Nasdaq;
- actual or potential litigation or regulatory investigations; and
- regulatory developments affecting us, our users, suppliers, or our industry.

Any of these factors may result in large and sudden changes in the volume and price at which our Class A ordinary shares or the ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. Any class action suit could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Our dual-class voting structure will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares or the ADSs may view as beneficial.

Pursuant to our sixth amended and restated memorandum and articles of association, our authorized and issued ordinary shares consist of Class A ordinary shares and Class B ordinary shares. In respect of all matters subject to a shareholders' vote, each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to ten votes per share on all matters subject to vote at our general meetings, except that each Class A ordinary share and each Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters: (a) any amendment to the memorandum and articles of association, including the variation of the rights attached to any class of shares; (b) the appointment, election or removal of any independent non-executive director; (c) the appointment or removal of the auditors; or (d) the voluntary liquidation or winding-up of our company. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B ordinary shares shall only be held by the Founder (as defined in our sixth amended and restated memorandum and articles of association) or a Director Holding Vehicle (as defined in our sixth amended and restated memorandum and articles of association). Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each Class B ordinary share shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events: (i) the death of the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the death of the Founder); (ii) the holder of such Class B ordinary share ceasing to be a Director or a Director Holding Vehicle for any reason; (iii) the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the Founder) being deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a Director; (iv) the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the Founder) being deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules; or (v) any direct or indirect sale, transfer, assignment, or disposition of the beneficial ownership of, or economic interest in, such Class B ordinary share or the control over the voting rights attached to such Class B Ordinary Share through voting proxy or otherwise to any person, including by reason that a Director Holding Vehicle no longer complies with Rule 8A.18(2) of the Hong Kong Listing Rules (in which case our company and the Founder or the Director Holding Vehicle must notify the Hong Kong Stock Exchange as soon as practicable with details of the non-compliance), other than a transfer of the legal title to such Class B ordinary share by the Founder to a Director Holding Vehicle wholly-owned and wholly controlled by him, or by a Director Holding Vehicle to the Founder or another Director Holding Vehicle wholly-owned and wholly controlled by the Founder.

As of March 18, 2026, Mr. Xiang Li, our chairman and chief executive officer, beneficially owned 355,812,080 Class B ordinary shares and 108,557,400 Class A ordinary shares constituting the CEO Award Shares, representing 68.7% of the aggregate voting power of our total issued and outstanding ordinary shares assuming the restrictions for none of the CEO Award Shares are released, due to the disparate voting powers associated with our dual-class voting structure. Mr. Li will continue to have considerable influence over matters requiring shareholder approval. This concentration of ownership may discourage, delay, or prevent a change of control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of our Class A ordinary shares or ADSs. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A ordinary shares or ADSs may view as beneficial.

Our dual-class voting structure may render the ADSs representing our Class A ordinary shares ineligible for inclusion in certain stock market indices, and thus adversely affect the trading price and liquidity of the ADSs.

Certain index providers have announced restrictions on including companies with multi-class share structures in certain of their indices. For example, S&P Dow Jones and FTSE Russell have changed their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. As a result, our dual-class voting structure may prevent the inclusion of the ADSs representing our Class A ordinary shares in such indices, which could adversely affect the trading price and liquidity of the ADSs representing our Class A ordinary shares.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs and trading volume could decline.

The trading market for our Class A ordinary shares or ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Class A ordinary shares or ADSs, the market price for our Class A ordinary shares or ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume for our Class A ordinary shares or ADSs to decline.

The sale or availability for sale of a substantial number of our Class A ordinary shares or ADSs could adversely affect their market price.

Sales of a substantial number of our Class A ordinary shares or ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our Class A ordinary shares or ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Class A ordinary shares or ADSs.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of our Class A ordinary shares or ADSs for return on your investment.

Given the intense competitive landscape and the volatility of our profitability, we currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A ordinary shares or ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends. Our shareholders may also by ordinary resolution declare dividends, but no dividend can exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Class A ordinary shares or ADSs will likely depend entirely upon any future price appreciation of our Class A ordinary shares or ADSs. There is no guarantee that our Class A ordinary shares or ADSs will appreciate in value or even maintain the price at which you purchased the Class A ordinary shares or ADSs. You may not realize a return on your investment in our Class A ordinary shares or ADSs and you may even lose your entire investment in our Class A ordinary shares or ADSs.

There can be no assurance that we will not be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could result in adverse U.S. federal income tax consequences to U.S. Holders of our ADSs or Class A ordinary shares.

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for any taxable year if either (i) at least 75% of its gross income for such year consists of certain types of “passive” income (the “income test”); or (ii) at least 50% of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce passive income or are held for the production of passive income (the “asset test”). Although the law in this regard is not entirely clear, we treat our consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidated their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the consolidated VIEs for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year. Assuming that we are the owner of our consolidated VIEs and their subsidiaries for U.S. federal income tax purposes, and based on the current and anticipated value of our assets and composition of our income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2025 and do not presently expect to be a PFIC for the current taxable year or the foreseeable future.

While we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we are or will become a PFIC for any taxable year is a fact-intensive inquiry made on an annual basis that depends, in part, upon the composition and classification of our income and assets. Fluctuations in the market prices of our ADSs and Class A ordinary shares may cause us to be or become a PFIC for the current or subsequent taxable years because the value of our assets for the purpose of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ADSs from time to time (which may be volatile). The composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets.

If we were to be or become a PFIC for any taxable year during which a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) holds our ADSs or Class A ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

Our sixth amended and restated memorandum and articles of association give us power to take certain actions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including Class A ordinary shares and ADSs, at a premium.

Our sixth amended and restated memorandum and articles of association give us power to take certain actions that could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Subject to the conditions that (i) no new class of shares with voting rights superior to those of Class A ordinary shares will be created and (ii) any variations in the relative rights as between the different classes will not result in the creation of new class of shares with voting rights superior to those of Class A ordinary shares, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADSs or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class A ordinary shares or ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares or ADSs may be materially and adversely affected. However, our exercise of any such power that may limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions under the memorandum and articles of association after our listing on the Hong Kong Stock Exchange is subject to our overriding obligations to comply with all applicable Hong Kong laws and regulations, the Hong Kong Listing Rules, and the Codes on Takeovers and Mergers and Share Buy-backs.

You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our sixth amended and restated memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in Hong Kong or some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong or the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, with respect to Cayman Islands companies, plaintiffs may face special obstacles, including but not limited to those relating to jurisdiction and standing, in attempting to assert derivative claims in state or federal courts of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than copies of the memorandum and articles of association, the register of mortgages and charges, and any special resolutions passed by the shareholders) or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as Hong Kong or the United States. If we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to Hong Kong or U.S. domestic issuers.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong or the United States. Our public shareholders may not be afforded the same protections or information that would be made available to them were they investing in a Hong Kong or United States domestic issuer.

Your investment in our Class A ordinary shares or ADSs may be impacted if we are encouraged to issue CDRs in the future.

PRC government authorities have issued new rules that allow PRC technology companies listed outside China to list on the mainland stock market through the creation of Chinese Depositary Receipts, or CDRs. However, as the CDR mechanism is newly established, there are substantial uncertainties in the interpretation and implementation of these rules. We might consider and be encouraged by the evolving PRC governmental policies to issue CDRs and allow investors to trade our CDRs on PRC stock exchanges in the future. However, there are uncertainties as to whether a pursuit of CDRs in China would bring positive or negative impact on your investment in our Class A ordinary shares or ADSs.

The conversion of the 2028 Notes or any convertible notes that we may issue in the future may dilute the ownership interest of the existing shareholders and existing ADS holders, including holders who had previously converted their notes.

In April 2021, we issued US\$862.5 million 0.25% convertible senior notes due 2028, or the 2028 Notes, which may be converted at an initial conversion rate of 35.2818 ADSs per US\$1,000 principal amount of notes (which represents an initial conversion price of US\$28.34 per ADS) at each holder's option at any time on or after November 1, 2027, until the close of business on the second scheduled trading day immediately preceding the maturity date of May 1, 2028, or at the option of the holders upon satisfaction of certain conditions and during certain periods prior to the close of business on the business day immediately preceding November 1, 2027. The holders have the right, at the option of each holder, to require us to repurchase all of such holder's Notes or any portion of the principal thereof that is equal to US\$1,000 principal amount (or an integral multiple thereof) for cash on May 1, 2026. As the conversion of the 2028 Notes may take place anytime during such periods if the conditions are fulfilled, the conversion of the 2028 Notes and any convertible notes that we may issue in the future will dilute the ownership interests of existing shareholders and existing ADS holders. Any sales in the public market of the ADSs issuable upon such conversion may increase the opportunities to create short positions with respect to the ADSs, which could adversely affect prevailing trading prices of our ADSs. In addition, the existence of such convertible notes may encourage short selling by market participants because the conversion of such notes could depress the price of our ADSs. The price of our ADSs could be affected by possible sales of our ADSs by investors who view the convertible notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity, which we expect to occur involving our ADSs.

We may not have the ability to raise the funds necessary to settle conversion of the convertible notes in cash, to repurchase the convertible notes upon a fundamental change, to repurchase the convertible notes on contractually specified repurchase dates, and our future debt may contain limitations on our ability to pay cash upon conversion or to repurchase the convertible notes.

Holders of the 2028 Notes have the right to require us to repurchase their notes on two contractually specified dates or upon the occurrence of a fundamental change (as defined in the indenture), in each case, at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the notes surrendered therefor or to settle the notes being converted. Our failure to repurchase the notes at a time when the repurchase is required by the indenture governing the notes or to pay any cash payable on future conversions of the notes as required by the indenture governing the notes would constitute a default under the indenture. A default under the indenture or a fundamental change itself could also lead to a default under agreements governing any of our future indebtedness outstanding at the time. If the repayment of any outstanding future indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or make cash payments upon conversions thereof.

Techniques employed by short sellers may drive down the market price of our Class A ordinary shares or ADSs.

Short selling is the practice of selling securities that a seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding issuers and their business prospects in order to create negative market momentum and generate profits for themselves after selling securities short.

Public companies listed in the United States that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits or SEC enforcement actions.

We may be the subject of unfavorable allegations made by short seller in the future. It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the short seller by principles of freedom of speech, applicable state law, or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and any investment in our Class A ordinary shares or ADSs could be greatly reduced or rendered worthless.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, subject to the depository's right to require a claim to be submitted to arbitration, the federal or state courts in the City of New York have exclusive jurisdiction to hear and determine claims arising under the deposit agreement (including claims arising under the Exchange Act or the Securities Act) and in that regard, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to our Class A ordinary shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depository opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is advisable that you consult legal counsel regarding the jury waiver provision before investing in the ADSs.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depository in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depository. If a lawsuit is brought against us or the depository under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depository from our respective obligations to comply with the Securities Act and Exchange Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and the majority of our assets are located outside of Hong Kong or the United States. Substantially all of our operations are conducted in China. In addition, most of our current directors and officers are not nationals or residents of United States or Hong Kong. Substantially all of the assets of these persons may be located outside Hong Kong or the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in Hong Kong or the United States in the event that you believe that your rights have been infringed under Hong Kong laws, the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq Global Select Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq listing standards.

As a Cayman Islands company listed on the Nasdaq Global Select Market, we are subject to Nasdaq listing standards. However, the Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq listing standards. For example, neither the Companies Act of the Cayman Islands nor our sixth amended and restated memorandum and articles of association requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating and corporate governance committee under the Nasdaq listing standards, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. As a result of certain home country practices we may follow in the future, our shareholders may be afforded less protection than they otherwise would under the Nasdaq listing standards applicable to U.S. domestic issuers. In addition, as our ordinary shares have been listed on the Hong Kong Stock Exchange and we are subject to the Hong Kong Listing Rules, those requirements may further change the degree of protection for our shareholders to the extent they differ from the Nasdaq listing standards applicable to U.S. domestic issuers.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct how the Class A ordinary shares represented by your ADSs are voted.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights that are carried by the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. If we instruct the depositary to ask for your instructions, then upon receipt of your voting instructions, the depositary will try, as far as practicable, to vote the underlying Class A ordinary shares represented by your ADSs in accordance with these instructions. If we do not instruct the depositary to ask for your voting instructions, the depositary may still vote in accordance with the instructions you give, but it is not required to do so. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares represented by your ADSs unless you withdraw the shares and become a registered holder of such shares prior to the record date for the general meeting. Under our sixth amended and restated memorandum and articles of association, an annual general meeting must be called by not less than 21 days' notice in writing and any other general meeting (including an extraordinary general meeting) must be called by not less than 14 days' notice in writing.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the Class A ordinary shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our sixth amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the Class A ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depository will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We have agreed to give the depository sufficient prior notice of shareholder meetings. Nevertheless, we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote the underlying Class A ordinary shares represented by your ADSs. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the Class A ordinary shares represented by your ADSs are not voted as you requested.

The depository for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not vote, the depository will give us a discretionary proxy to vote our Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depository with notice of meeting and related voting materials;
- we have instructed the depository that we do not wish a discretionary proxy to be given;
- we have informed the depository that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

Your rights to pursue claims against the depository as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any action or proceeding against or involving the depository, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in a state or federal court in New York, New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding.

The depository may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement. These arbitration provisions govern such dispute or difference and do not, in any event, preclude you from pursuing claims under the Securities Act or the Exchange Act in state or federal courts.

You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, Class A ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Item 4. INFORMATION ON THE COMPANY

A. *History and Development of the Company*

Li Auto Inc. is a holding company with no material operations of its own. We conduct our operations primarily in China through our PRC subsidiaries and the VIEs and their subsidiaries.

We were founded in April 2015 by our Founder, Mr. Xiang Li. In April 2017, we incorporated CHJ Technologies Inc. under the laws of the Cayman Islands as our offshore holding company to facilitate offshore financing. We later changed its name to Leading Ideal Inc. in April 2019 and further to Li Auto Inc. in July 2020.

In May 2017, Li Auto Inc. established Leading Ideal HK Limited, formerly known as CHJ Technologies (Hong Kong) Limited, as its intermediary holding company. In December 2017, Leading Ideal HK Limited established a wholly-owned PRC subsidiary, Wheels Technology, to engage in the research and development of smart connectivity functions and advanced driver-assistance systems as well as general administration of the group. Leading Ideal HK Limited later established wholly-owned PRC subsidiaries to serve various functions, including Leading (Xiamen) Private Equity Investment Co., Ltd. and Beijing Leading Automobile Sales Co., Ltd.

In December 2018, we acquired Chongqing Lifan Automobile Co., Ltd., and later changed its name to Chongqing Zhizao Automobile Co., Ltd.

In July 2019, Li Auto Inc. gained control over Beijing CHJ and its subsidiaries through Wheels Technology by entering into a series of contractual arrangements with Beijing CHJ and its shareholders. Wheels Technology also entered into a series of contractual arrangements with Xindian Information, and its shareholders in April 2019. The contractual arrangements with Beijing CHJ and Xindian Information were subsequently amended and restated, most recently in July 2023. The revenue contribution of the VIEs and their subsidiaries, taking into account all of their respective business with or without foreign investment restrictions under PRC laws, amounted to less than 0.1% of our total revenues in 2023, 2024 and 2025. The revenue contribution of the businesses of the VIEs and their subsidiaries with foreign investment restrictions under PRC laws, being the provision of value-added communication services and other foreign restriction business, was not material in 2023, 2024 and 2025.

In October 2019, Beijing CHJ established Chongqing Lixiang Automobile Co., Ltd., or Chongqing Lixiang.

In December 2019, we disposed of all of our equity interests in Chongqing Zhizao Automobile Co., Ltd.

On July 30, 2020, our ADSs commenced trading on the Nasdaq Global Select Market under the symbol “LI.” On August 2, 2021, our Class A ordinary shares commenced trading on the Main Board of the Hong Kong Stock Exchange under the stock code “2015.”

In April 2021, Leading Ideal HK Limited established a wholly-owned PRC subsidiary, Beijing Lixiang Automobile Co., Ltd.

In December 2021, we agreed to establish a strategic cooperation framework with the Chongqing municipal government.

Our principal executive offices are located at 11 Wenliang Street, Shunyi District, Beijing 101399, People’s Republic of China. Our telephone number at this address is +86 (10) 8742-7209. Our registered office in the Cayman Islands is located at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, NY 10168. Our website is <https://www.lixiang.com>. The information on our websites should not be deemed to be part of this annual report. The SEC also maintains a website at <https://www.sec.gov> that contains reports, proxy, and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

B. Business Overview

We are a leader in China’s NEV market. We design, develop, manufacture, and sell premium smart electric vehicles. Our mission is: Be Proactive, Change the World (“主动积极，改变世界”). Through innovations in product, technology, and business model, we provide families with safe, convenient, and comfortable products and services.

Our vehicle products include both EREVs and BEVs. As a pioneer in successfully commercializing EREVs in China, we started volume production of EREVs in November 2019 with our first model Li ONE, a six-seat, large premium smart electric SUV with phenomenal performance. While firmly advancing along our technological route, we build platforms for battery electric vehicles in parallel. Our current model lineup includes a high-tech flagship family MPV, four Li L series extended-range electric SUVs, and two Li i series battery electric SUVs. We will continue to expand our product lineup to target a broader user base.

We are dedicated to serving the mobility needs of families in China. To this end, we strategically focus on NEVs priced over RMB200,000 (US\$28,600). In light of diverse family needs in terms of price range, vehicle size, seat options, powertrain and intelligence level, we have developed different vehicle series and models to capture these needs. Leveraging our enhanced product strengths and operating efficiency, we have consistently set new record highs in deliveries. On October 18, 2024, we hit the one million cumulative vehicle deliveries milestone, becoming the first emerging new energy automotive brand in China to reach this benchmark, just 58 months after delivering our first vehicle in December 2019. In December 2025, we surpassed the milestone of 1.5 million cumulative vehicle deliveries. The cumulative deliveries of our vehicles reached 1,540,215 as of December 31, 2025.

In 2025, we also expanded our global footprint by introducing Li L9, Li L7, and Li L6 to Uzbekistan, Kazakhstan, Azerbaijan and Egypt, beginning to establish our market presence across Central Asia, the Caucasus, and Africa.

We focus on platform-based strategies to organize and execute our vehicle roadmap, as we believe the combination of EV and intelligent platform capabilities would continue to lead to increasing operational efficiency.

- *EREV*. Our proprietary EREV solution enables families to enjoy all the benefits of a premium, spacious SUV while free from range anxiety. The Li L series boost a maximum CLTC pure electric range of 286 kilometers and CLTC combined range of 1,421 kilometers with industry-leading thermal efficiency and NVH performance. We plan to further develop and optimize the overall performance of our EREV powertrain system.
- *BEV*. Our HPC BEV technologies deliver superior charging experience to achieve a driving range of 500 kilometers with just a 10-minute charge, offering energy replenishment as efficient as ICE vehicles refueling. Our HPC solution includes an 800-volt electric drive system based on third-generation silicon carbide power modules, batteries with 5C charging capabilities, an advanced, wide temperature range thermal management system, and a proprietary nationwide 5C supercharging network.
- *Autonomous Driving*. We equip our vehicles with proprietary autonomous driving technologies that enable superior driving experience and safety features. We currently have two autonomous driving systems, Li AD Max and Li AD Pro. Both Li AD Max and Li AD Pro support City NOA and Highway NOA functionalities, while Li AD Max features advanced autonomous driving capabilities building on our proprietary VLA Driver large model. We will continue to optimize our autonomous driving solutions leveraging our full-stack proprietary software development capabilities.
- *Smart Space*. The smart space features of our vehicles provide premium in-car experience. Our vehicle models are equipped with smart space systems with flexible choices of smartness, featuring multi-screen, three-dimensional interactions, voice interactions, and constantly evolving smart features, bringing exceptional in-car interactive experience to passengers. We continue to optimize and innovate the smart features of our vehicles to enhance user experience and satisfaction.

Quality is essential to our business. We manufacture in-house and collaborate with industry-leading suppliers to ensure the high quality of our vehicles. We have built our own Changzhou manufacturing base and Beijing manufacturing base, which allow our engineering and manufacturing teams to seamlessly collaborate with each other and streamline the feedback loop for rapid product enhancements and quality improvements. We also have implemented strict quality control protocols and measurements for selecting and managing our suppliers.

Vehicle Delivery

We delivered 406,343 vehicles in 2025. Our cumulative vehicle delivery was 633,364 as of December 31, 2023, 1,133,872 as of December 31, 2024 and 1,540,215 as of December 31, 2025.

Our Vehicles

Li L Series

We are a pioneer in successfully commercializing EREVs in China. The cumulative delivery of our EREV models have surpassed 1.4 million as of the date of this annual report, underscoring our dominant position in EREVs in the SUV market in China. Li L series, our current EREV line, is equipped with our proprietary all-wheel drive EREV powertrain system, with varying sizes and prices for different user needs. The following table sets forth the current model composition under the Li L series.

Model Name	Description
Li L9	Six-seat flagship family SUV
Li L8	Six-seat premium family SUV
Li L7	Five-seat flagship family SUV
Li L6	Five-seat premium family SUV

The Li L series offer enhanced product capabilities through upgrades in the range-extension system, chassis system, safety features, comfort configurations, and vehicle intelligence to better meet the needs of family users.

We are committed to delivering vehicles to our users with highest safety standards. Each model of the Li L series received the highest safety rating under the standards of the China Insurance Automotive Safety Index (C-IASI) Management Center or received one of the highest comprehensive scores of its kind under the China New Car Assessment Program (C-NCAP) released by China Automotive Technology and Research Center Co., Ltd.

Li MEGA

Li MEGA, our inaugural BEV, is a high-tech flagship family MPV featuring superior performance across safety, drivability, and comfortability, as well as contour design. It adopts unconventional aerodynamics appearance and provides ample cabin space with a low drag coefficient. Embodying our latest technological advancements in electrification and intelligentization, Li MEGA is built on an 800-volt battery electric platform and equipped with a 102.7 kilowatt-hour 5C battery. A 10-minute charge could replenish 500 kilometers of range for Li MEGA. Enhanced by silicon carbide power chips, Li MEGA's energy consumption is 15.9 kilowatt-hours per 100 kilometers based on CLTC testing results. Li MEGA comes standard with the Li Auto Fortress Protection System that guards family passengers and is equipped with our Li Magic Carpet air suspension. We launched Li MEGA in March 2024 and commenced delivery in the same month. In September 2024, Li MEGA received the highest "G+" rating in the three same C-IASI valuation categories and became the first MPV to receive a "G" rating in crash tests of 25% frontal offset impact on both the driver and the passenger sides under C-IASI's latest assessment protocols. In April 2025, we launched Li MEGA Home which offers zero-gravity second-row seats that rotate 45°, 90°, and 180°, transforming the vehicle into a versatile and user-friendly space ideal for dining, entertainment, work, and other activities. It also features electrically powered front doors with a quiet-close mechanism, ensuring both seamless accessibility and refined acoustic comfort for passengers.

Li i Series

Li i series, our BEV SUV line, is supported with our latest high-voltage battery electric platform featuring an in-house developed electric drive system, 5C battery pack, and a nationwide 5C super charging network. The following table sets forth the current model composition under the Li i series.

Model Name	Description
Li i8	Six-seat battery electric family SUV
Li i6	Pioneering five-seat battery electric SUV

The Li i series embodies a new design philosophy, characterized by low aerodynamic drag, low energy consumption and expansive interior space. The vehicle architecture is engineered with a low center of gravity and high torsional rigidity, complemented by our full-stack, in-house developed electronic chassis control system, which provide both agility and comfort in the driving experience. Inside, the interior of the Li i series is appointed with a fresh design and newly developed seats, further enhancing the sense of luxury and overall passenger comfort.

In November 2025, Li i8 achieved the highest overall score of the year in the China-Automobile Health Index (C-AHI) assessment conducted by China Automotive Engineering Research Institute Co., Ltd. Li i8 also received the highest ratings across all three categories assessed: the Clean Air Index, the Health Protection Index, and the Energy Efficiency and Emission Index. Additionally, in January 2026, Li i8 was awarded top-tier ratings by the China Insurance Automotive Safety Index (C-IASI), including the "G+" (excellent plus) grade for occupant safety, vehicle assistance safety, and pedestrian safety, as well as the "G" (Excellent) grade for new energy vehicle-specific performance and crashworthiness & repair economy. Li i6 achieved the highest overall score ever recorded among NEVs in the C-AHI assessment conducted by China Automotive Engineering Research Institute Co., Ltd in December 2025, and also received the highest ratings across all three categories assessed, including the Clean Air Index, the Health Protection Index, and the Energy Efficiency and Emission Index.

Technology

EREV Powertrain

We are the pioneer in developing EREV technologies and applied them to our EREV models starting from Li ONE, followed by the Li L Series. An EREV is purely driven by its electric motor, but its energy source and power come from both its battery pack and range extension system. EREVs can replenish energy by slow charging, fast charging, and refueling, thus eliminating range anxiety for users. EREVs offer high-quality driving experience similar to that of BEVs, such as smooth acceleration and superior NVH performance. The overall energy consumption level of our EREV models is much lower than that of ICE vehicles in a similar class, as a result of its high energy efficiency range extension system. We believe that our EREV technologies will help accelerate the adoption of electric vehicles in China and contribute to China's national initiatives to build a low-carbon-emission society. For consumers, we believe that our vehicles have a competitive advantage over ICE vehicles in terms of performance, cost efficiency, and user experience.

Our EREV powertrain primarily consists of an electric propulsion system and a range extender. Our 1.5T range extender features a low-acoustic-sensitivity frame-type cylinder block and high stiffness crankshaft, suppressing noise from the source. Base on a combustion system design with a high tumble channel and a circular-arc piston head, our range extender burns the kinetic energy quickly and maintains a high thermal efficiency range of 40.5%, offering quieter driving experience and consuming less energy. The range extension system has been enhanced through OTA upgrades to support a longer-range during winter. Our EREV powertrain is able to optimize the power balance between fuel and electric leveraging data on upcoming road conditions, vehicle energy consumption, and power output. This holistic approach minimizes the operation of the range extender in low-efficiency zones, thereby reducing overall fuel consumption and enhancing the NVH performance.

HPC BEV Technologies

As a pioneer in HPC BEV technologies, we develop them to deliver superior charging experience to achieve a driving range of 500 kilometers with just a 10-minute charge, offering energy replenishment as efficient as ICE vehicles refueling. Our BEV technologies boast 5C battery cells that support supercharging technology, highly integrated lightweight design, high collision safety design, and efficient thermal management design. Our internally-developed silent electric drive system significantly improves range efficiency, with a CLTC comprehensive efficiency of 93.08%. The high power density electric drive system, leveraging electronic components based on third-generation wide bandgap SiC semiconductor materials and other advanced designs and technologies, including incorporation of hexagonal cells that improve conductivity per unit area and reduce current losses. With 5C battery, 5C super charging stalls featuring an 800-volt architecture. Our proprietary SiC power chip paired with the high-voltage 3-in-1 drive motor elevates the performance of the electric driving system while also deeply integrating the booster module with the motor. Our proprietary thermal management system, integrating multi-source heat pumps with large modules, enhances range in low temperatures and ensures motor thermal safety.

Autonomous Driving

Autonomous driving technologies enable superior driving experience and enhance driving safety. We leverage our full-stack proprietary software development capabilities to introduce closed-loop data-driven autonomous driving solutions. Our autonomous driving system is optimized and adapted based on the complex road conditions in China. It currently features highway NOA and city NOA, assisted driving (lane centering control), AEB and AES active safety system, and automated parking system. We currently have two autonomous driving systems, Li AD Max and Li AD Pro. Li AD Max is powered by our newly launched Vision-Language-Action (VLA) driver AI model, further enhancing autonomous driving experience. Our VLA model features spatial intelligence, language intelligence and behavioral intelligence, and is able to continuously evolve by learning and adapting to users' driving styles and preferences. Our vehicle models equipped with Li AD Max are taking up an increasing proportion of total orders, evidencing customers' willingness to pay for our AD technology.

In addition, we have developed our own proprietary autonomous driving data platform to enhance users' autonomous driving experience. The autonomous driving data platform accumulates driving data about the driving decisions and patterns of an actual human driver in various scenarios in encrypted forms, without any personally identifiable information in compliance with the data privacy laws and regulations, and uploaded to the cloud database of the autonomous driving data platform where the data will be examined and analyzed via algorithms and data mining to optimize the autonomous driving system.

We have also developed our own proprietary world model, which serves as a cornerstone for simulation-based evaluation and reinforcement learning in autonomous driving development. The world model is designed to generate physically realistic scenarios that supplement real-world driving data, greatly enriching the variety and complexity of training inputs for autonomous systems. By leveraging data generated from the world model, we are able to conduct large-scale simulation tests to verify the generalization capability of autonomous driving models under diverse and challenging conditions, which not only improves the efficiency and cost-effectiveness of model evaluation but also accelerates the iteration and deployment of safer, more robust autonomous driving solutions. Furthermore, we have achieved a significant milestone in our vertical integration strategy with the successful development of our proprietary autonomous driving inference chip, the M100. Designed to achieve seamless synergy with our full-stack autonomous driving algorithms, the M100 chip is scheduled for mass production and is expected to be integrated into our new vehicle models starting in 2026. This internally-developed silicon is expected to further enhance the computing efficiency and safety performance of our smart driving systems while optimizing our long-term hardware cost structure.

Smart Space and Li Xiang Tong Xue

A cabin with smart space technologies is a future trend for the automotive industry and will unlock premium user experiences, and we are dedicated to applying smart interactive systems to provide premium in-vehicle experiences. As a trendsetter and a top-tier performer in smart space technologies, we have been focusing on smart space features such as human-car interactions, multi-screen three dimensional interactions, and voice assistant Li Xiang Tong Xue since our first model, and have designed the core software and functions of our interactive systems.

We offer smart space systems in all our current vehicles. Our pioneering multi-screen three-dimensional interactive mode elevates the driving and entertainment experience to a new level. At front, a combined HUD and interactive safe driving screen projects key driving information onto the front windshield. The other screens, including the vehicle’s central control screen, the passenger entertainment screen, and the rear cabin entertainment screen, are complemented by our internally-developed audio system. Within the smart space, the family account system can identify different users and automatically remembers individual preferences, providing a personalized driving experience. The built-in “AI Task Master” allows users to customize and program vehicle functions according to their daily needs. In addition, our three-dimensional space interaction integrates voice commands and intuitive gesture controls, while the multi-device connectivity allows seamless linkage between the vehicle and other smart devices for enhanced convenience and entertainment.

Our smart assistant, Li Xiang Tong Xue serves as an encyclopedic teacher and a reliable assistant in driving, travel, and entertainment for the whole family. It supports multiple interaction methods including voice, gesture, and touch, enabling more natural and vivid interaction with users. Li Xiang Tong Xue evolves through continuous growth and iteration with its integrated memory network and delivers end-to-end, efficient, and natural responses to the diverse needs of family members. Li Xiang Tong Xue is now available for download on mobile devices and also accessible via a web version, extending the benefits of its intelligent capabilities to more families and users. The mobile app also unlocks various entertainment and live functions, such as translating menus, providing podcasts, and offering meaningful chats across diverse fields.

Powered by our in-house foundation model MindGPT, Li Xiang Tong Xue has now evolved from a voice assistant to Li Xiang Tong Xue Agent. It can independently utilize tools, resolve complex tasks, and possess personalized memory. For complex tasks, Li Xiang Tong Xue Agent leverages our advanced model capabilities to understand user intent and achieve goals efficiently. For instance, it can autonomously invoke tools like the Meituan app to fulfill in-store food pickup requests or activate the vehicle’s external cameras to scan QR codes in parking lots for payment. Additionally, with the integration of Face ID and our family account system, Li Xiang Tong Xue Agent can remember information about each individual to deliver personalized experiences while ensuring data security, making daily use more convenient, thoughtful and emotionally resonant for every family member.

Li Halo OS

In March 2025, we officially open-sourced our proprietary operating system, Li Halo OS, making us the world’s first automaker to commit to open-sourcing its proprietary operating system for smart vehicles. The in-house development of Li Halo OS began in 2021, with its first mass-production deployment achieved in 2024. Li Halo OS offers a range of significant advantages, including flexible chip adaptation, broad hardware support, faster system response, lower computing power costs, and robust security and privacy protections. Since the open sourcing of Li Halo OS, Li Halo OS has received strong recognition from industry partners across the automotive value chain. In September 2025, we signed memorandums of cooperation with 16 ecosystem partners covering core areas of the smart vehicle industry, marking the transition of Li Halo OS into a new phase of joint development aimed at promoting its broader adoption and collectively advancing the technological frontier of smart mobility.

Li AI Glasses, Livis

In December 2025, we launched Li AI Glasses, Livis, our first proprietary multimodal AI-powered wearable device. Livis combine the functions of a headset, camera, and voice recorder, offering users a versatile wearable experience. In addition to standalone capabilities, Livis enables vehicle control and interacts directly with our in-vehicle systems, supporting smart connectivity and coordinated operation between the glasses and our vehicles. The core innovation of Livis lies in its deep integration with the Li Auto ecosystem. It serves as a natural extension of our in-vehicle intelligence, enabling users to perform a range of vehicle control functions—such as locking doors or adjusting the climate—directly through the glasses. Furthermore, Livis allows for seamless interaction with the in-vehicle infotainment system, creating a continuous and connected user experience whether inside or outside the car. The launch of Livis represents a key step in extending our AI capabilities beyond the vehicle, providing customers with a consistent, intelligent and connected experience.

OTA Upgrades

Our vehicle systems are designed with extensibility through firmware OTA upgrades, which improve system performance and enable users to access new features. Our OTA upgrades can also automatically roll back if there are issues during the upgrading process and retry later. Through OTA upgrades, we are able to add more features to our in-car interactive and entertainment systems, improve powertrain performance, optimize vehicle and system control algorithms, and upgrade autonomous driving system.

Research and Development

As a leading technology-driven company in the NEV industry and a first mover in the field of embodied AI, we heavily rely on research and development to establish and strengthen our market position. We conduct our research and development activities primarily in our headquarters in Beijing, China, and we also maintain research and development centers in Shanghai, China, Munich, Germany, and Silicon Valley, United States. We are developing intelligent electric vehicle and embodied AI technologies, such as next-generation powertrain system, 5C battery technologies, high-voltage platform, ultra-fast charging technologies, autonomous driving technologies, intelligent cockpit, and operating systems. As of December 31, 2025, we had 6,041 employees engaging in research and development. In 2025, our research and development expenses reached RMB11.3 billion, accounting for 10.1% of our total revenues for the year.

Vehicle Design and Engineering

We have developed significant in-house capabilities in the design and engineering of NEVs and various components and systems. Our vehicle styling team, which consists of experienced designers from reputable global automakers, has defined unified design language for our Li Auto vehicle family. We have in-house vehicle development capabilities with core competence in NEV powertrain architecture, chassis, and battery, motor, and electric control systems. In particular, we have developed substantial expertise in design, development, and manufacturing of battery management systems and vehicle control units. Many of our exterior design features have been trendsetters, such as the 3D halo lights, the highly recognizable outline and flawless, pure bodywork of Li MEGA, as well as the advanced designs of Li i6 and Li i8 characterized by low drag coefficients and spacious interiors.

Sales and Marketing

Digitalized Approach

We have built an integrated online and offline platform to engage users throughout their journey. We convert sales leads from various channels to registered users through our website, Li Auto App, and Weixin mini-program. The system analyzes conversion efficiency and optimizes sales strategies through data analytics. Additionally, our online engagement encourages existing owners to promote our vehicles, creating a self-sustaining cycle that improves conversion rates and reduces acquisition costs.

Users can place orders with a RMB5,000 deposit, which becomes non-refundable after 24 hours, at any of our digital touchpoints. Orders automatically confirm after 24 hours, and no additional deposits are required from the user prior to delivery. Our delivery specialists assist with financing and home charger installation, coordinating vehicle pickup once the car arrives. This streamlined process, combined with our sales and service network, enhances efficiency, lowers offline service costs, and improves overall user experience.

Direct Sales Network

We build and operate our own sales and distribution infrastructure and sell our vehicles directly to our users. We believe that our direct sales model not only improves economic and operational efficiency significantly, but also provides our users with superior purchasing experiences consistent with our values and brand image.

As of December 31, 2025, we had 548 retail stores in China, located in high-traffic malls and auto sales parks to maximize exposure and offer in-depth test-drive experiences. Users visit a store for vehicle check-up, test-drive, and order placement. While providing purchase, delivery, and servicing experiences, our direct sales and servicing network also allows us to digitalize our user interactions and gain a gateway to user preferences and pain points. We continue to expand and innovate to improve our retail distribution and customer experience through additional locations and innovative sales strategies.

Marketing Strategies

We have been able to generate significant media coverage of our company and our vehicles. Our principal marketing goals are to build brand awareness and loyalty, generate sales leads, and integrate user input into the product development process.

We focus our marketing efforts on generating word-of-mouth referrals and creating content for marketing on new media and short-video social media platforms. Our marketing content includes high-quality videos developed in-house, which elaborate on our product specifications and technologies. We also publish voluntary referrals from our users and videos created by key opinion leaders in areas across technology, travel, and maternal and infant products, all of which represent real user experiences and enhance the popularity of our vehicles. We also leverage the data-driven features of short-video social media platforms to accurately target users by marketing on leading platforms. We believe that the combination of our high-quality content and the optimization of our marketing channels, in addition to the strong word-of-mouth referrals of our users and our digitalized direct sales system, forms a virtuous cycle from content marketing to sales leads, and in turn to word-of-mouth referrals, which enables us to achieve continued brand exposure and attract high-quality potential users at a relatively low marketing cost.

Servicing and Warranty

As of December 31, 2025, we had 561 servicing centers and Li Auto-authorized body and paint shops across 224 cities in China. Servicing centers and Li Auto-authorized body and paint shops perform in-person maintenance and repairs, and are generally located in urban development hubs or areas with a high concentration of automotive industry with convenient transportation.

We have started to build an HPC network to achieve a superior charging experience. As of December 31, 2025, we had built 3,907 super charging stations in operation equipped with 21,651 charging stalls in China.

We currently offer a five-year or 100,000-kilometer limited warranty for new vehicles, and an eight-year or 160,000-kilometer limited warranty for battery packs, electric motors, electric motor controllers. We also provide owners of our vehicles free roadside assistance during the warranty coverage 24 hours a day, seven days a week.

We offer a suite of value-added services to serve our users' needs and keep them engaged, such as home charging pile installation, vehicle service packages, the Li Auto Mall, as well as insurance, used car and auto finance agency services.

Manufacturing, Supply Chain, and Quality Control

Manufacturing

We are listed in the catalog of vehicle manufacturers of the MIIT and we currently manufacture our vehicles in our Changzhou and Beijing manufacturing bases. A manufacturing base consists of four workshops, stamping, welding, painting, and assembly, and an office building. Our production volume can be further expanded with our increased efficiency and technological capabilities.

The production in our factory is highly automated to ensure precision, consistency, and efficiency. We use linear seven-axis robots for our stamping line, which is capable of switching tooling with the press of a button and mixed production of steel and aluminum parts. In the stamping workshop, the high-speed flexible manufacturing line first produces large body panels before fully-automated, quality inspection blue-ray scanning performs 100% of the dimensional inspections on them. In the welding workshop, we achieve 100% automation for all welding spots. In the painting workshop, we have fully automated the painting process by utilizing painting robots to ensure consistency of coatings on the vehicle bodies.

We remain committed to operating our own manufacturing facilities, with our green intelligent manufacturing bases in Changzhou and Beijing, China. By adopting highly automated, intelligent, and digitalized production lines with a large amount of cutting-edge manufacturing processes, we created an efficient and controllable intelligent manufacturing system. Leveraging our proprietary intelligent platforms such as the stamping digitalization system, Lianshan quality monitoring and early warning platform, and Li-MOS manufacturing management system, we built an intelligent manufacturing super brain to connect all assembly data and process flows, achieving end-to-end closed-loop management throughout all processes of each business. We also used vision sensors and algorithms to precisely control the workflow of hardware equipment to realize flexible production and intelligent inspection. We will continue to leverage data and technologies to facilitate production and rapid iterations of related technologies, thereby continuously enhancing manufacturing efficiency and product quality.

In addition, we continue to advance a data-driven transformation of our manufacturing operations. By leveraging our proprietary Lianshan platform as the core of our intelligent industrial ecosystem, we integrate R&D, supply chain, manufacturing and after-sales into a unified, end-to-end data flow. Through AI-enabled inspection, modular workstations, and robotics-centered process planning, we have significantly improved production efficiency, manufacturing consistency, and maintenance stability.

Supply Chain

We take a modularized approach to supply chain management. Alongside long-term, efficient collaboration with supply chain partners for mutual benefits, we continue to actively enhance the “co-creation model” with a keen focus on our in-house development and manufacturing capabilities for core smart electric vehicle components, aiming to achieve a right balance between managing upstream costs and controlling risks. We have developed close partnership with suppliers for key parts and implemented a supplier relationship management system to improve the efficiency of our cooperation. We actively explore additional opportunities to work with first-tier suppliers to ensure supply and develop next-generation technologies.

We are accelerating supply chain development to build resilience against market fluctuations and support our rapidly growing sales. Importantly, we are committed to extending our in-house development and manufacturing capabilities vertically along our supply chain. Because we own the manufacturing facilities that we use, either directly or through majority-owned joint ventures, we are able to produce range extenders and five-in-one electric drive units that can support our EREV delivery targets. On the BEV side, we own a semiconductor manufacturing base in the high-tech zone of Suzhou, Jiangsu Province, where we focus on research and development and production of automotive-grade power modules based on the third-generation semiconductor material, silicon carbide (SiC). The power module is a core component of the 800-volt electric drive system that we developed in-house.

Quality Control

We have established a rigorous product quality and safety management system that covers design, development, production, testing, and after-sales service. To ensure our designs meet stringent safety and quality standards, we standardize functional safety management during the design phase. Additionally, we engage professional third parties for independent audits and certifications, reinforcing our commitment to excellence.

Our product verification system integrates hardware and software testing, covering materials, parts, systems, autonomous driving, Human-Machine Interface (HMI), and whole vehicle electrical/electronic (E/E). By combining external testing resources with internal capabilities to upgrade validation standards, we enhance validation standards to ensure vehicle quality and performance. During delivery, we conduct rigorous quality standard checks on the vehicle’s appearance, functionality, sealing, safety compliance, and road test performance. Embracing smart manufacturing, we incorporate cutting-edge automated machinery and intelligent driving technologies into production, facilitating unmanned quality inspections. In addition, our facilities have deployed unmanned inspection lines, allowing for automated vehicle quality checks with high accuracy and efficiency.

Environmental, Social and Governance (ESG)

In pursuit of our vision and mission, we have integrated sustainability practices into corporate strategies and operations. We honor our corporate responsibilities and contribute to sustainable development of the whole society. By regularly hearing from our users, employees, suppliers, media and press, and local communities, we identify risks and opportunities in our business operations and prudently prioritize and implement ESG initiatives.

In July 2025, we were awarded the highest “AAA” rating by MSCI ESG Research for the third consecutive year, in recognition of our excellence in key areas such as corporate governance, product quality and safety, clean technologies, and our commitment to sustainable development and social responsibility. In the 2025 S&P Global Corporate Sustainability Assessment (S&P Global CSA), we took a leading position among Chinese automakers.

Our 2025 Environmental, Social and Governance Report showcases our ESG strategies, management, and practices, while our first climate-related disclosures report presents our commitments and strategies for climate action and demonstrates our climate resilience. Both the ESG report and climate-related disclosures report are available on our investor relations website.

User Privacy and Data Security

During the course of sales, marketing and operation of our vehicles, certain personal information is directly collected by us from users based on the services the users select, and mainly includes name, email address, mobile number, ID number, and other personal information relating to the usage of our vehicles. Our data privacy policy agreed by our users describes our data practices, and we do not use any data for any purpose other than those specified in the data privacy policy with our users. To the extent permitted by the Surveying and Mapping Qualification Certificate, we collect certain data related to GPS and road conditions in compliance with laws and regulations.

Aside from purchasing certain components, such as chipset and sensors, we are developing our autonomous driving system ourselves in a full-stack, closed-loop manner and we plan to do so in the foreseeable future. We store in-house all the data accumulated in developing autonomous driving technologies. Our business does not involve any cross-border data transfer. In particular, we have adopted and implemented strict internal protocols to ensure the security of data we collect in the development of autonomous driving technologies in accordance with PRC laws. We do not provide any data to or share such data with any foreign individuals and entities, or any foreign-invested enterprises established in China. We do not allow any unauthorized person to obtain such data in the technology tests and road tests. Pursuant to the PRC Law on Guarding State Secrets, the authorities must mark state secrets on all the media that carry information involving state secrets, and if the information does not involve state secrets, it should not be marked as state secrets. When engaging in the aforementioned business, we did not see any state secret marks on the media. To the best of our knowledge, we believe that the data we collect and store does not give rise to any state secret concern in any material respect.

With the level of intelligence and connectivity of vehicles, and our highly integrated system that interacts with the users, we place strong emphasis on data security and protection. We have adopted and implemented a strict internal control system focusing on data security and personal information protection. The privacy policies with respect to the collection, use, and disclosure of user data have been posted on the websites and mobile apps that we operate, which inform the users of the purposes, methods, and scope of collecting and using their personal information. We do not use users’ data for any purpose that has not been consented by the users or is not necessary for our provision of services to the users. We have implemented procedures to regulate our employees’ actions in relation to user data in order to protect user privacy and data security. We also have adopted a strict access control mechanism to protect user privacy while meeting business requirements. In addition, we employ a variety of technical solutions to prevent and detect risks in user privacy and data security, such as encryption and log audit. Our internal cloud data security team as well as external data security experts constantly examine and test our data security system to ensure that any vulnerability identified is fixed immediately. Our user database can only be accessed by our designated and authorized personnel after approval, whose actions are recorded and monitored constantly by our internal cloud data security team. Without due consent and authorization from users or going through compliance procedures, we will not provide personal data to our business partners. We strictly follow the terms of authorization and the scope of usage set forth in the agreements with our users when processing and analyzing their personal data, and require all of our business partners to acknowledge and sign confidentiality agreements before they receive any user data from us. All data analyzed are encrypted and de-identified in accordance with applicable laws and regulations. If any of our business partners misuses or leaks user data provided by us or cause any damage to our users or us, we are entitled to terminate the agreements with such business partner and take protective measures, such as changing encrypted passwords and disconnecting the network, and may also pursue further legal proceedings against the business partner.

Competition

The China automotive market is highly competitive and we expect that it will become even more competitive in the future. We believe that our vehicles compete with premium vehicles regardless of powertrain technologies. As a pioneer that has successfully commercialized EREVs in China, we face competition from new market entrants and existing automakers that follow or imitate our business model. We believe the primary competitive factors in our markets are: technological innovation, product quality and safety, product pricing, sales efficiency, manufacturing efficiency, branding, and design and styling. We believe that positive factors pertaining to our competitive position include precise consumer targeting and product defining capabilities, innovative designs and technologies, manufacturing cost management, distribution cost management, and general management efficiency as a company. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may not be successful in the highly competitive China automotive market.” For risks relating to competition in our industry.

Intellectual Property

We believe that we have significant capabilities in the areas of vehicle engineering, development, and design. As a result, our success depends, at least in part, on our ability to protect our core technologies and intellectual property rights. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, including employee and third-party nondisclosure agreements, copyright, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technologies. As of December 31, 2025, we had 4,765 issued patents and 7,396 pending patent applications in China, which lay a solid foundation for our core proprietary technologies and the development of our next generation of EREVs and HPC BEVs in China. As of December 31, 2025, we had 2,205 registered trademarks and 1,302 pending trademark applications in China. As of December 31, 2025, we also held or otherwise had the legal right to use 91 registered copyrights for software and 97 registered domain names in China, including *lixiang.com*. We intend to continue to file additional patent applications with respect to our technologies and file additional trademark applications with respect to our brand.

Regulations

Regulations on Production of New Energy Passenger Vehicles

Pursuant to the Provisions on Administration of Investment in Automotive Industry, which was promulgated by the NDRC and took effect on January 10, 2019, enterprises are encouraged to, through equity investment and production capacity cooperation, facilitate mergers and restructuring, enter into strategic alliances, carry out joint research and development of products, organize joint manufacturing, and increase industrial integration. The leading resources in production, education, research, application, and other areas are encouraged to be integrated, and core enterprises in the automotive industry are encouraged to form industrial alliance and industrial consortium. In addition, these provisions categorize EREV as electric vehicles.

Pursuant to the Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products, to be included in the Vehicle Manufacturers and Products Announcement, our vehicles must satisfy certain conditions, including, among others, meeting certain standards set out therein, meeting other safety and technical requirements specified by the MIIT, and passing inspections conducted by a state-recognized inspection institution. After these conditions are met and the application has been approved by the MIIT, the qualified vehicles will be included in the Vehicle Manufacturers and Products Announcement by the MIIT. If an NEV manufacturer manufactures or sells any model of an NEV without prior approval of the competent authorities, including the inclusion in the Vehicle Manufacturers and Products Announcement by the MIIT, it may be subject to penalties, including fines, forfeiture of any illegally manufactured and sold vehicles and spare parts, and revocation of its business licenses.

On November 27, 2018, the MIIT issued the Administrative Measures on Admission of Road Motor Vehicle Manufacturing Enterprises and Products, which took effect on June 1, 2019. These measures set out the requirements for admission of road motor vehicle manufacturing enterprise including, among others, possessing the premises, funds and staff corresponding for the manufacturing activities, and possessing product design and development capacity, manufacturing capacity, manufacturing consistency assurance capacity and after-sales service support capacity corresponding to the manufacturing activities. On October 28, 2022, the MIIT published the Administrative Regulations on Admission of Road Motor Vehicle Manufacturing (Draft for Comment) for public comments, which further specifies manufacturers’ obligations in respect of environmental protection, after-sales service, software upgrade, and network and data security, and imposes administrative requirements on the admission of the manufacturing of intelligent connected vehicles, including, among others, (i) manufacturers of intelligent connected vehicles must be competent for ensuring the network security and data security of vehicle products, and (ii) intelligent connected automotive products must satisfy standards and technical specifications concerning the expected functional safety, functional safety, network security and data security. In particular, products with the self-driving function must pass the risk testing and evaluation.

Regulations on Compulsory Product Certification

Pursuant to the Administrative Regulations on Compulsory Product Certification that was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, which has been merged into the SAMR, recently amended on September 29, 2022 and took effect on November 1, 2022, and the List of the First Batch of Products Subject to Compulsory Product Certification that was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine in association with the State Certification and Accreditation Administration Committee on December 3, 2001, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components cannot be sold, exported, or used in operating activities until they are certified by designated PRC certification authorities as qualified products and granted certification marks.

Pursuant to the Announcement on the Implementation of Compulsory Product Certification Management for Electric Vehicle Supply Equipment issued by the SAMR on December 5, 2024, which took effect on March 1, 2025, designated certification authorities begin accepting applications for compulsory product certifications applications for electric vehicle supply equipment starting March 1, 2025. In addition, from August 1, 2026, electric vehicle supply equipment without the requisite compulsory product certifications will no longer be permitted for manufacture, sale, importation, or any other commercial use.

Regulations on Electric Vehicle Charging Infrastructure

Pursuant to the Guidance Opinions of the General Office of the State Council on Accelerating the Promotion and Application of the New Energy Vehicles, which took effect on July 14, 2014, the Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020), which took effect on October 9, 2015, and the Development Plan for the New Energy Vehicle Industry (2021-2035), which took effect on October 20, 2020, the PRC government encourages the construction and development of charging infrastructure for electric vehicles, such as charging stations and battery swap stations, and only centralized charging and battery replacement power stations are required to obtain approvals for construction permits from the authorities. The Circular on Accelerating the Development of Electric Vehicle Charging Infrastructures in Residential Areas promulgated on July 25, 2016 further provides that the operators of electric vehicle charging and battery swap infrastructure are required to carry liability insurance for the safety of their facilities. The manufacturers of charging and battery swap facilities and electric vehicle manufacturers are encouraged to purchase liability insurance on charging safety to protect individual users.

Regulations on Automobile Sales

Pursuant to the Administrative Measures on Automobile Sales promulgated by the Ministry of Commerce, which took effect on July 1, 2017, automobile suppliers and dealers are required to file with the authorities through the national automobile circulation information system operated by the competent commerce department within 90 days after the receipt of a business license. Where there is any change to the information filed, automobile suppliers and dealers must update such information within 30 days after such change.

Regulations on Vehicle Maintenance and Repair

Pursuant to the Administrative Provisions on Vehicle Maintenance and Repair promulgated by the Ministry of Transport on June 24, 2005 and most recently amended on November 10, 2023, operators providing vehicle maintenance and repair services must file with the local transportation authority at the county level for record after completion of the registration with market supervision administration authorities. Where there is any change to the information filed, the operator must update such information with the relevant transportation authority. The vehicle maintenance and repair services are classified into three classes, namely, Class I, Class II or Class III according to its business and service capabilities. Automotive maintenance operator must conduct the automotive maintenance business in accordance with the national, industrial or local standards for automotive maintenance and the technical information for automotive maintenance published by the automobile manufacturer or importer. In addition, automotive maintenance operators must publish their charging items, typical number of hours required to perform each service and service rate at their business premises. The transportation authorities at the county level or above may order the operator engaging in the automotive maintenance business to rectify if such operator fails to meet the regulatory standards for automotive maintenance formulated by the competent authorities of transportation under the State Council; if the circumstance is serious, the transportation authorities at the county level or above may order such entity or relevant individuals to suspend business for rectification. In addition, if any entity or individual engaging in the automotive maintenance business fails to file as required might be ordered to rectify by the transportation authorities at the county level or above. Failure to rectify may subject such entity or individuals to fines of not less than RMB3,000 but not more than RMB10,000.

Regulations on the Recall of Defective Automobiles

On October 22, 2012, the State Council promulgated the Administrative Provisions on Defective Automotive Product Recalls, which took effect on January 1, 2013 and was amended on March 2, 2019. The product quality supervision department of the State Council is responsible for the supervision and administration of recalls of defective automotive products nationwide. Pursuant to these administrative provisions, manufacturers of automotive products are required to take measures to eliminate defects in the products they sell and recall all defective automotive products. Failure to recall such products may result in a compulsory order to recall the defective products from the quality supervisory authority of the State Council. If an operator conducting sales, leasing, or repairs of vehicles discovers any defect in any automotive products, it must cease to sell, lease, or use the defective products and must assist manufacturers in the recall of those products. Manufacturers must recall their products through publicly available channels and publicly announce the defects. Manufacturers must take measures to eliminate or cure defects, including rectification, identification, modification, replacement, or return of the products. Manufacturers that attempt to conceal defects or do not recall defective automotive products in accordance with the regulations will be subject to penalties, including fines, forfeiture of any income earned in violation of law, and revocation of licenses.

Pursuant to the Implementation Rules on the Administrative Provisions on Defective Automotive Product Recalls, which took effect on January 1, 2016 and were recently amended on October 23, 2020, if a manufacturer is aware of any potential defect in its automobiles, it must investigate in a timely manner and report the results of such investigation to the SAMR. Where any defect is found during the investigation, the manufacturer must cease to manufacture, sell, or import the automotive products and recall such products in accordance with applicable laws and regulations.

On November 23, 2020, the SAMR issued the Circular on Further Improving the Regulation of Recall of Automobile with OTA (over-the air) Technology, pursuant to which automobile manufacturers that provide technical services through OTA are required to complete filing with the SAMR and those who have provided such services through OTA must complete such filing before December 31, 2020. In addition, if an automaker uses OTA technology to eliminate defects and recalls their defective products, it must make a recall plan and completes a filing with the SAMR.

On March 29, 2022, the MIIT, the Ministry of Public Security, the Ministry of Transport, the Ministry of Emergency Management and the SAMR jointly issued the Guiding Opinions on Further Strengthening the Construction of Safety System for New Energy Vehicle Enterprises, which proposed to comprehensively enhance the safety capabilities of enterprises in safety management mechanism, product quality, operation monitoring, after-sales service, accident response and handling, as well as network security, improve the safety of new energy vehicles, and promote the high-quality development of the new energy vehicle industry.

On April 15, 2022, the MIIT issued the Circular on the Filing of Online Upgrade of Automobile Software, which took effect on the same day. Pursuant to this circular, a vehicle manufacturer that has obtained the manufacturing admission for road motor vehicles must complete filings for its automobile products with online software upgrade function (also known as the OTA upgrade function) and its online software upgrade activities. A vehicle manufacturer must complete filings of its management capabilities, vehicle types and functions, and specific upgrade activities in sequence as required to implement the online software upgrade activities. In particular, the online software upgrade activities can be divided into three categories: (a) for upgrade activities not involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises may directly conduct such upgrade activities after filing; (b) for upgrade activities involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises must submit verification materials to ensure that the products comply with national laws and regulations, technical standards and specifications as well as other requirements; and (c) for upgrade activities involving vehicle autonomous driving functions (level 3 and above of driving automation classification), they should be approved by the MIIT.

On August 1, 2024, the MIIT issued the Notice on Further Strengthening the Management of Access, Recall, and Software Online Upgrade for Intelligent Connected Vehicles (Draft for Comments) for public comments. The notice aims to enhance the management of access and recall procedures for intelligent connected vehicles equipped with integrated driving assistance systems, and further regulate the OTA software upgrades by automotive manufacturers, thereby strengthening the collaborative management of automotive software upgrades.

Regulations on Product Liability

Pursuant to the PRC Product Quality Law, which was promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009, and December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked.

On February 25, 2022, the SAMR, the MIIT, the Ministry of Transport, the Ministry of Emergency Management, and the PRC General Administration of Customs jointly published the Circular on Trial Implementation of Sandbox Supervision System for Automotive Safety. Pursuant to this circular, the sandbox supervision system for automobile safety regulates the frontier technologies such as the perception of environment, intelligent decision-making and coordinated control, and the new functions and models such as the various levels of automatic driving and remote upgrading. Enterprises applying for the sandbox supervision, including suppliers of vehicles, components, internet technologies, data services, network operation, as well as software and systems, must perform the responsibility for quality safety proactively, research and evaluate unknown risks with regulatory departments, and maintain necessary testing and emergency management systems. Specifically, enterprises applying for the sandbox regulation with regard to frontier technologies or new functions and models must go through five stages, including application, evaluation, testing, reporting and exit.

Favorable Government Policies Relating to NEVs in China

Government Subsidies for NEV Purchasers

According to the Notice on the Implementation of Large-scale Equipment Renewal and Consumer Goods Replacement for 2026 issued by the NDRC and the Ministry of Finance on December 29, 2025, individual consumers who scrap passenger vehicles registered under their own names and purchase new NEVs included in the Catalog of New Energy Vehicle Models Exempt from Vehicle Purchase Tax published by the MIIT, or fuel-powered passenger vehicles with an engine displacement of 2.0 liters or below, are entitled to a subsidy. The subsidy amounts to 12% of the NEV purchase price (capped at RMB20,000), or 10% of the purchase price of a fuel-powered passenger vehicle with an engine displacement of 2.0 liters or below (capped at RMB15,000).

In addition, on December 30, 2025, the Ministry of Commerce and seven other departments issued the Detailed Implementation Rules for Subsidies on Automobile Replacement for 2026, which provide that in 2026, individual consumers who scrap (i) gasoline-powered passenger vehicles registered before June 30, 2013, (ii) diesel or other fuel-powered passenger vehicles registered before June 30, 2015, or (iii) NEVs registered before December 30, 2019, and purchase NEVs included in the Catalog of New Energy Vehicle Models Exempt from Vehicle Purchase Tax published by the MIIT or fuel-powered passenger vehicles with an engine displacement of 2.0 liters or below, are entitled to a subsidy of RMB10,000.

Exemption of Vehicle Purchase Tax

On December 26, 2017, the Ministry of Finance, the State Taxation Administration, the MIIT, and the Ministry of Science and Technology jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle, pursuant to which, from January 1, 2018 to December 31, 2020, the vehicle purchase tax applicable to ICE vehicles is not imposed on purchases of qualified NEVs listed in the Catalog of New Energy Vehicle Models Exempt from Vehicle Purchase Tax issued by the MIIT, including NEVs listed before December 31, 2017.

On April 16, 2020, the Ministry of Finance, the State Taxation Administration, and the MIIT jointly issued the Announcement on Exemption Policy of Vehicle Purchase Tax for New Energy Vehicle, which took effect on January 1, 2021, pursuant to which the exemption of vehicle purchase tax for the NEVs will be extended to December 31, 2022.

Pursuant to the Announcement on Continuing the Policies Regarding the Exemption Policy of Vehicle Purchase Tax for New Energy Vehicle jointly issued by the Ministry of Finance, the State Taxation Administration, and the MIIT on September 18, 2022, the exemption of vehicle purchase tax for the NEVs will be further extended to December 31, 2023.

Pursuant to the Announcement on the Continuation and Optimization of Vehicle Purchase Tax Relief Policies for New Energy Vehicles jointly issued by the Ministry of Finance, the State Taxation Administration, and the MIIT on June 19, 2023, the exemption of vehicle purchase tax for the NEVs will be further extended. The NEVs purchased during the period from January 1, 2024 to December 31, 2025 are exempted from the vehicle purchase tax, provided that the exemption amount for each new energy passenger vehicle cannot exceed RMB30,000; the NEVs purchased during the period from January 1, 2026 to December 31, 2027 are subject to the vehicle purchase tax at a reduced rate by half, provided that the tax reduction amount for each new energy passenger vehicle cannot exceed RMB15,000.

Non-Imposition of Vehicle and Vessel Tax

Pursuant to the Preferential Vehicle and Vessel Tax Policies for Energy-Saving and New Energy Vehicles and Vessels jointly promulgated by the Ministry of Finance, the Ministry of Transport, the State Taxation Administration, and the MIIT on July 10, 2018, NEVs, including battery electric commercial vehicles, plug-in (including extended-range) hybrid electric vehicles, fuel cell commercial vehicles are exempt from vehicle and vessel tax, whereas BEVs and fuel cell passenger vehicles are not subject to vehicle and vessel tax. The qualified vehicles are listed in the Catalog of New Energy Vehicle Models Exempt from Vehicle and Vessel Tax issued by the MIIT and State Taxation Administration from time to time. Li ONE, Li L series, and Li MEGA have been listed in this catalog, and are thus exempt from vehicle and vessel tax.

On May 27, 2024, the MIIT, the Ministry of Finance and the State Taxation Administration issued the Announcement on Amending the Technical Requirements for Energy-Saving and New Energy Vehicle Products Eligible for Vehicle and Vessel Tax Preferences, which became effective on July 1, 2024. According to the announcement, starting July 1, 2024, new energy vehicles applying for inclusion in the Catalog of New Energy Vehicle Models Exempt from Vehicle and Vessel Tax issued by the MIIT must comply with specified technical requirements. Starting July 1, 2024, vehicle models failing to meet the technical requirements outlined in the announcement will not be included in the new Catalog of New Energy Vehicle Models Exempt from Vehicle and Vessel Tax. For vehicle models that have been included in the relevant Catalog of New Energy Vehicle Models Exempt from Vehicle and Vessel Tax and meet the specified technical requirement will automatically be transferred to the new catalog.

NEV License Plates

In recent years, in order to control the number of motor vehicles on the road, certain local governments in China, such as Shenzhen, Shanghai, Beijing, Tianjin, Guangzhou, Hangzhou, and Hainan have issued restrictions on the issuance of vehicle license plates. These restrictions generally do not apply to the issuance of license plates for NEVs, which makes it easier for NEV purchasers to obtain license plates. For example, in Shenzhen, pursuant to the Detailed Rules of Shenzhen Municipality for the Implementation of the Administration of the Increase of Cars (2019) which was issued on January 11, 2019 and was replaced by the Detailed Rules of Shenzhen Municipality for the Implementation of the Administration of the Increase of Cars, which was issued on February 27, 2024 and took effect on March 1, 2024, NEVs including EREVs and BEVs are exempt from the license plate restrictions. However, in Shanghai, pursuant to the Implementation Measures on Encouraging Purchase and Use of New Energy Vehicles in Shanghai (2021 Version), EREVs are not considered NEVs that are exempt from the license plate restrictions starting from January 1, 2023. Pursuant to the Implementation Measures on Encouraging Purchase and Use of New Energy Vehicles in Shanghai (2025 Version) which was issued on December 27, 2024 and became effective on January 1, 2025, local authorities will issue new license plates to qualified BEVs and fuel cell vehicles purchasers without requiring such qualified purchasers to go through certain license-plate bidding processes and to pay license-plate purchase fees as compared with ICE vehicle purchasers. In Beijing, EREVs are treated as ICE vehicles for the purposes of obtaining license plates. Potential EREV purchasers in Beijing must participate in a lottery for a purchase permit, instead of applying for the NEV license plates based on the quota determined by the local authorities in Beijing.

Policies Relating to Incentives for Electric Vehicle Charging Infrastructure

On January 11, 2016, the Ministry of Finance, the Ministry of Science and Technology, the MIIT, the NDRC, and the National Energy Administration jointly promulgated the Circular on Incentive Policies on the Charging Infrastructures of New Energy Vehicles and Strengthening the Promotion and Application of New Energy Vehicles During the 13th Five-year Plan Period, which took effect on January 11, 2016. Pursuant to this circular, the central finance department is expected to provide certain local governments with funds and subsidies for the construction and operation of charging facilities and other charging infrastructure.

Certain local governments have also implemented incentive policies for the construction and operation of charging infrastructure. For example, pursuant to the Interim Rules on Subsidies for the Operation of Electronic Vehicles Charging Infrastructures for Public Use in Beijing, which took effect on August 4, 2021, certain operators of charging facilities for public use may be eligible for subsidies based on their charging capacity and operation review results before December 31, 2023. Likewise, such subsidies were also implemented in the Implementation Rules on the Subsidies for Construction and Operation of Electronic Vehicles Charging Infrastructures in 2022 in Beijing that took effect on July 28, 2022.

CAFC and NEV Credit Schemes for Vehicle Manufacturers and Importers

On September 27, 2017, the MIIT, the Ministry of Finance, the Ministry of Commerce, the PRC General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine jointly promulgated the Measure for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises, pursuant to which, each of the vehicle manufacturers and vehicle importers above a certain scale is required to maintain its new energy vehicles credits, or NEV credits, above zero, regardless of whether NEVs or ICE vehicles are manufactured or imported by it, and NEV credits can be earned only by manufacturing or importing NEVs. Therefore, NEV manufacturers will enjoy preferences in obtaining and calculating of NEV credits.

NEV credits equal to the aggregate actual scores of a vehicle manufacturer or a vehicle importer minus its aggregate targeted scores. The targeted scores must be the product obtained by multiplying annual production/import volume of fuel energy vehicles of a vehicle manufacturer or a vehicle importer by the NEV credit ratio set by the MIIT, while the actual scores are to be the product obtained by multiplying the score of each new energy vehicle type by respective new energy vehicle production/import volume. Excess positive NEV credits are tradable and may be sold to other enterprises through a credit management system established by the MIIT. Negative NEV credits can be offset by purchasing excess positive NEV credits from other manufacturers or importers. As a manufacturer that will only manufacture new energy vehicles, after we obtain our own manufacturing license, we will be able to earn NEV credits by manufacturing new energy vehicles through our future manufacturing plant on each vehicle manufactured, and may sell our excess positive NEV credits to other vehicle manufacturers or importers.

On June 15, 2020, the MIIT, the Ministry of Finance, the Ministry of Commerce, the PRC General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine jointly promulgated the Amendment to Measure for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises, which took effect on January 1, 2021, adjusts the calculation methods of credits of new energy passenger vehicles and provides the requirements of NEV credits from 2021 to 2023.

On June 29, 2023, the MIIT and other authorities issued the Decision on Amending the Measure for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises, which took effect on August 1, 2023, establishing a mechanism for the collection and release of positive credits of NEVs that ensures the smooth operation of the credit trading market and a credit pool for the collection and release of positive credits of NEVs. In addition, such decision also added, among others, the requirement for enterprises to disclose their average carbon emission levels and further adjusts the calculation methods for credits of new energy passenger vehicles.

On December 27, 2023, the MIIT issued the Notice regarding Matters Concerning the Management of the Corporate Average Fuel Consumption and New Energy Vehicle Credit for the years 2024 and 2025. The notice clarified the NEV credit ratio requirements for 2024 and 2025, as well as other related matters concerning the calculation and management of NEV credits.

Regulations on Autonomous Driving

On July 27, 2021, the MIIT, the Ministry of Public Security, and the Ministry of Transport issued the Circular on the Norms on Administration of Road Testing and Demonstrative Application of Intelligent Connected Vehicles (Trial Implementation), which is the primary regulation governing protocol of road testing of intelligent connected vehicles in China. Pursuant to the circular, any entity intending to conduct a road testing of intelligent connected vehicles must apply for and obtain a road-testing certificate and a temporary license plate for each tested car. To qualify for these required licenses, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of automobiles and automobile parts, which has established protocol to test and assess the performance of intelligent connected system and is capable of conducting real-time remote monitor of the tested cars; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot model and human driving model in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the function of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving model, location and speed; (iv) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; and (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. During testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving model unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the authority supervising the road-testing of autonomous cars in that region. In addition, the testing entity is required to submit to the road-testing certificate issuing authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the relevant authority within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident.

On August 25, 2022, the Ministry of Natural Resources issued the Notice on Promoting the Development of Intelligent Connected Vehicles to Maintain the Security of Mapping and Geographic Information, which took effect on the same day. Pursuant to this notice, if an intelligent connected vehicle is equipped with or integrated with a satellite navigation positioning receiving module, inertial measurement unit, camera, laser radar and other sensors, the collection, storage, transmission and processing of surveying, mapping and geographic information and data, including spatial coordinates, images, point clouds and attribute information of vehicles and surrounding road facilities, service and road testing, should be deemed as the surveying and mapping activities specified in the PRC Surveying and Mapping Law. Automobile enterprises, service providers and smart driving software providers that are engaged in data collection, storage, transmission and processing must obtain the qualification for conducting surveying and mapping services in accordance with applicable laws and regulations or engage an agency with the qualification for conducting surveying and mapping services to carry out the surveying and mapping activities.

On July 26, 2024, the Ministry of Natural Resources issued the Notice on Strengthening the Management of Surveying and Mapping Geographic Information Security for Intelligent Connected Vehicles, which came into effect on the same day. This notice expands the scope of surveying activities for intelligent connected vehicles, as outlined in the Notice on Promoting the Development of Intelligent Connected Vehicles to Maintain the Security of Mapping and Geographic Information. It specifies the collection, storage, transmission, and processing of geographic information data (including road topology data), such as spatial coordinates, real-scene images (video and image environmental perception data), point clouds, and their attribute information by intelligent connected vehicles during operation, service, and testing, are considered surveying activities under the PRC Surveying and Mapping Law. As such, these activities must be regulated and managed in accordance with surveying and mapping laws and regulations.

On November 17, 2023, the MIIT, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport jointly issued the Notice on Implementing the Pilot Program of Market Access and Road Passage for Intelligent Connected Vehicles. Pursuant to this notice, the implementation of the pilot program will be divided into five stages, including (i) pilot program application, (ii) pilot program of product access, (iii) pilot program of road passage, (iv) suspension and withdrawal from the pilot program, and (v) evaluation and adjustment. In particular, these four authorities will jointly select intelligent connected vehicles equipped with automatic driving functions and eligible for mass production, based on the road testing and demonstration application of such intelligent connected vehicles, to implement the pilot program of product access, which includes (i) product testing and safety evaluation and (ii) product access licensing. For the intelligent connected vehicles that have completed the pilot program of product access, the pilot program of road passage will be carried out within a limited area.

Regulations on Foreign Investment in China

Regulations on Foreign Investment Restrictions

Investment activities in China by foreign investors are principally governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment and the Catalog of Industries for Encouraging Foreign Investment, which were promulgated and are amended from time to time by the Ministry of Commerce and the NDRC. The measures and catalog classify industries into three categories with regard to foreign investment: (i) “encouraged,” (ii) “restricted,” and (iii) “prohibited.”

The currently effective negative list is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Version), or the 2024 Negative List, which was published by the Ministry of Commerce and NDRC on September 6, 2024, and took effect on November 1, 2024. In addition, in October 2022, the Ministry of Commerce and the NDRC jointly issued the Encouraged Foreign Investment Industry Catalog (2025 Version), which took effect on February 1, 2026. Industries that are not listed in the 2024 Negative List are permitted areas for foreign investments and are generally open to foreign investment unless specifically restricted by other PRC regulations. Some restricted industries are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold majority interests in such joint ventures. In addition, projects in the restricted category may be subject to higher-level government approval requirements. Foreign investors are not allowed to invest in industries in the prohibited category. For example, foreign investors are prohibited from investing in companies engaged in on-ground mobile surveying and radio and television program production businesses under the 2024 Negative List. The provision of value-added telecommunications services falls in the restricted category under the 2024 Negative List and the percentage of foreign ownership cannot exceed 50%, except for e-commerce, domestic multi-party communications, and store-and-forward call centers.

Pursuant to the Provisions on Administration of Foreign-Invested Telecommunications Enterprises promulgated by the State Council in December 2001 and most recently amended in April 2022, the ultimate foreign equity ownership in a value-added telecommunications services provider cannot exceed 50%. The amended Provisions removed the performance and operational experience requirements for major foreign investors that own equity interest in PRC companies conducting value-added telecommunication business in China in the Provisions on Administration of Foreign-Invested Telecommunications Enterprises.

On April 8, 2024, the MIIT issued the Circular on Implementing the Pilot Programs Work to Expand the Opening-Up of Value-Added Telecommunications Services. Pursuant to the circular, the MIIT launches pilot programs to expand the opening-up of value-added telecommunications services, initially in several designated regions in Beijing, Shanghai, Hainan, and Shenzhen. In the regions approved to launch pilot programs, restrictions on foreign ownership in certain value-added telecommunications businesses will be removed, including internet data centers, content delivery networks, internet service providers, online data processing and transaction processing, information publishing platforms and delivery services (excluding internet news information, online publishing, online audiovisual, and internet cultural operations), and information protection and processing services. Foreign invested enterprises conducting these services in the approved pilot regions are required to obtain approval from the MIIT in accordance with applicable law and regulations. The circular also indicates that based on the implementation of the pilot programs, the scope of the pilot regions may be expanded.

Foreign Investment Law

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which became effective on January 1, 2020. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic-invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection, and administration of foreign investments in view of investment protection and fair competition.

Pursuant to the Foreign Investment Law, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country within China, or foreign investors, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes an foreign-invested enterprise in China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project in China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council.

Pursuant to the Foreign Investment Law, the State Council will publish or approve to publish a catalog for special administrative measures, or a “negative list.” The Foreign Investment Law grants national treatment to foreign-invested enterprises, except for those that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” Because the “negative list” has yet to be published, it is unclear whether it will differ from the current special administrative measures for market access of foreign investment (Negative List). The Foreign Investment Law provides that foreign-invested enterprises operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from the PRC governmental authorities.

On December 26, 2019, the PRC State Council approved the Implementation Rules of Foreign Investment Law, which became effective on January 1, 2020. The Implementation Rules of Foreign Investment Law restates certain principles of the Foreign Investment Law and further provides that, among others, (i) if the legal form or the governing structure of a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law does not comply with the compulsory provisions of the PRC Company Law or the PRC Partnership Enterprises Law, such foreign-invested enterprise should complete amendment registration accordingly no later than January 1, 2025; if it fails to do so, the enterprise registration authority will not process other registration matters of the foreign-invested enterprise and may publicize such non-compliance; and (ii) the provisions regarding transfer of equity interests, distribution of profits and remaining assets as stipulated in the joint venture contracts of an existing foreign-invested enterprise may survive the Foreign Investment Law during its joint venture term.

On December 30, 2019, the Ministry of Commerce and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities in mainland China, the foreign investor or the foreign-invested enterprise must submit the investment information to the competent commerce department for further handling.

Regulations on Value-Added Telecommunications Services

In 2000, the State Council promulgated the PRC Telecommunications Regulations, which was most recently amended in February 2016 and provides a regulatory framework for telecommunications services providers in China. The Telecommunications Regulations categorize all telecommunications businesses in China as either basic or value-added telecommunications services. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructure. Pursuant to the Classified Catalog of Telecommunications Services, an attachment to the Telecommunications Regulations, which was most recently updated in June 2019 by the MIIT, internet information services are classified as value-added telecommunications services. Under the Telecommunications Regulations and related administrative measures, commercial operators of value-added telecommunications services must first obtain an ICP license from the MIIT or its provincial level counterparts. Otherwise, such an operator might be subject to sanctions, including rectification orders and warnings, fines, confiscation of illegal gains, and, in case of significant infringement, orders to close the website.

Pursuant to the Administrative Measures on Internet Information Services, promulgated by the State Council in 2000 and amended in 2011 and 2024, “internet information services” refer to the provision of information through the internet to online users, and are divided into “commercial internet information services” and “non-commercial internet information services.” A commercial ICP service operator must obtain an ICP license before engaging in any commercial internet information services in China, while the ICP license is not required if the operator will only provide internet information on a non-commercial basis.

In addition to the regulations and measures above, the provision of commercial internet information services on mobile internet applications are regulated by the Administrative Provisions on Information Services of Mobile Internet Applications, promulgated by the State Internet Information Office in June 2016 and amended on June 14, 2022. Information services providers of mobile internet applications are subject to these provisions, including acquiring the necessary qualifications and being responsible for the management of information security.

Beijing Chelixing Information Technology Co., Ltd. has obtained an ICP License that will remain effective until March 27, 2029.

Regulations on Consumer Rights Protection

Our business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law, which was amended in 2013 and took effect on March 15, 2014. It imposes stringent requirements and obligations on business operators. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, and potential civil or criminal liabilities. On March 15, 2024, the State Council promulgated the Implementation Rules of the PRC Consumer Rights and Interests Protection Law, which came into effect on July 1, 2024 and refined and enhanced the basic framework of the PRC Consumer Rights and Interests Protection Law.

Regulations on Internet Information Security and Privacy Protection

In November 2016, the Standing Committee of the National People's Congress, promulgated the PRC Cybersecurity Law, which took effect on June 1, 2017 and was subsequently amended on October 28, 2025 and became effective on January 1, 2026. The Cybersecurity Law requires that network operators, including internet information services providers, take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of its networks. We are subject to such requirements as we are operating a website and mobile application and providing certain internet services mainly through our mobile application. The Cybersecurity Law further requires internet information services providers to formulate contingency plans for network security incidents, report to the competent departments immediately upon the occurrence of any incident endangering cybersecurity, and take corresponding remedial measures.

Internet information services providers are also required to maintain the integrity, confidentiality, and availability of network data. The Cybersecurity Law reaffirms the basic principles and requirements specified in other existing laws and regulations on personal data protection, such as the requirements on the collection, use, processing, storage, and disclosure of personal data, and internet information services providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged, or lost. Any violation of the Cybersecurity Law may subject an internet information services provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or criminal liabilities.

The Decision on Maintenance of Cybersecurity enacted by the Standing Committee of the National People's Congress on December 28, 2000, as amended in August 2009, stipulates, among others, that the following activities conducted via internet are subject to criminal penalty if they constitute crimes under PRC law: (i) hacking into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack computer systems and communications networks, thus damaging computer systems and the communications networks; (iii) disconnecting computer networks or communications services without authorization in violation of laws and regulations; (iv) divulging state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights via internet.

The Provisions on Technological Measures for Cybersecurity Protection promulgated on December 13, 2005 by the Ministry of Public Security requires internet service providers and organizations that use interconnection services to implement technical measures for cybersecurity protection from any threat to network security, such as computer viruses and network attacks and breaches. All internet access service providers are required to take measures to keep a record of and preserve user registration information. Under these measures, value-added telecommunications services license holders must regularly update information security and content control systems for their websites and must also report any public dissemination of prohibited content to local public security authorities. If a value-added telecommunications services license holder violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

Pursuant to the Decision on Strengthening the Protection of Online Information issued by the Standing Committee of the National People's Congress in 2012 and the Provisions on the Protection of Telecommunication and Internet User Personal Information issued by the MIIT in 2013 and the Cybersecurity Law, any collection and use of a user's personal information must be consensual, legal, reasonable, and necessary, and must be limited to specified purposes, methods, and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with, or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage, or loss. In case of any actual or potential leakage of user personal information, internet information service providers must take immediate remedial measures and make timely report to the regulatory authorities and inform users in accordance with the regulations. Any violation of these laws and regulations may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, shutdown of websites, or even criminal liabilities.

Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Lawfully Punishing Criminal Activities Infringing upon the Personal Information of Citizens issued in 2013 and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens issued on May 8, 2017 and effective on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of applicable regulations and rules; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person, and not recoverable); (iii) collecting a citizen's personal information in violation of applicable regulations and rules when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting, or exchanging such information in violation of applicable regulations and rules.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision Against the Illegal Collection and Use of Personal Information by Apps issued on January 23, 2019, app operators should collect and use personal information in compliance with the Cybersecurity Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the protection of personal information. Furthermore, app operators must not force their users to make authorization by means of bundling, suspending installation, or in other default forms and should not collect personal information in (i) violation of laws or regulations, or (ii) breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon Users' Personal Rights and Interests issued by the MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly seen illegal practices of app operators in terms of the protection of personal information, including: "failure to publicize rules for collecting and using personal information," "failure to expressly state the purpose, manner, and scope of collecting and using personal information," "collection and use of personal information without consent of users of the app," "collecting personal information irrelevant to the services provided by the app in violation of the principle of necessity," "provision of personal information to others without users' consent," "failure to provide the function of deleting or correcting personal information as required by laws," and "failure to publish information such as methods for complaints and reporting." Any of the following acts, among others, of an app operator will constitute "collection and use of personal information without consent of users:" (i) collecting any user's personal information or activating the permission for collecting any user's personal information without obtaining such user's consent; (ii) collecting personal information or activating the permission for collecting the personal information of any user who explicitly refuses such collection, or repeatedly seeking any user's consent such that the user's normal use of such app is disturbed; (iii) collecting any user's personal information that has been actually collected by the app operator or activating the permission for collecting any user's personal information by the app operator that is beyond the scope of personal information authorized to be collected; (iv) seeking any user's consent in a non-explicit manner; (v) modifying any user's settings for activating the permission for collecting any personal information without such user's consent; (vi) using users' personal information and any algorithms to directionally push any information, without providing the option of non-directed pushing of such information; (vii) misleading users to permit collecting their personal information or activating the permission for collecting the users' personal information by improper methods, such as fraud and deception; (viii) failing to provide users with the means and methods to withdraw their permission for collecting personal information; and (ix) collecting and using personal information in violation of the rules for collecting and using personal information promulgated by the app operator.

On August 20, 2021, the Standing Committee of National People's Congress issued the PRC Personal Information Protection Law, which took effect on November 1, 2021, integrates the scattered rules with respect to personal information rights and privacy protection. The PRC Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information, as defined in the PRC Personal Information Protection Law, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The PRC Personal Information Protection Law provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

Pursuant to the Measures for Cybersecurity Review (2020) promulgated by the CAC and certain other PRC regulatory authorities in April 2020, which took effect in June 2020, critical information infrastructure operators must pass a cybersecurity review when purchasing network products and services that affect or may affect national security. On December 28, 2021, the CAC published the Cybersecurity Review Measures, which took effect on February 15, 2022 and replaced the Measures for Cybersecurity Review (2020). Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. According to the Cybersecurity Review Measures, before purchasing any network products or services, a critical information infrastructure operator should assess potential national security risks that may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one million users and intend to be listed on a foreign stock exchange must be subject to the cybersecurity review. The government authorities may initiate the cybersecurity review against the operators if the authorities believe that the network products or services or data processing activities of such operators affect or may affect national security.

The Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged; (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services; (iii) the security, openness, transparency, and variety of sources of these products or services, the reliability of supply channels, and risks of supply interruptions due to factors such as politics, diplomacy, and trade; (iv) the level of compliance with PRC laws and regulations of the product and service providers; (v) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or transferred cross-border; (vi) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the cyber information security risk in connection with public offering; and (vii) other factors that may adversely affect the security of critical information infrastructures, cybersecurity, or data security.

If the cybersecurity review office of CAC deems it necessary to conduct a cybersecurity review, it should complete a preliminary review (including reaching a suggestion for the review conclusion and sending the suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments) within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the receipt of a review conclusion suggestion, the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments should issue a written reply within 15 business days. If the cybersecurity review office of CAC and these authorities reach a consensus, the cybersecurity review office of CAC should inform the operator in writing; otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On August 17, 2021, the State Council issued the Regulations on Protection of Security of Critical Information Infrastructure, which took effect on September 1, 2021, pursuant to which "critical information infrastructures" refers to critical network facilities and information systems involved in important industries and sectors, such as public communication and information services, energy, transportation, water conservancy, finance, public services, governmental digital services, science and technology related to national defense industry, and those that may seriously endanger national security, national economy, and citizen's livelihood or public interests if damaged or malfunctioned, or if any leakage of data in relation thereto occurs. Pursuant to these regulations, the governmental authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth in the regulations, and further identify the critical information infrastructure operators in the related industries in accordance with such rules. The authorities should also notify operators identified as the critical information infrastructure operators.

On July 30, 2021, the MIIT released the Opinions on Strengthening the Management of Intelligent Network Automotive Manufacturers and Product Access, pursuant to which intelligent automotive manufacturers are required to strengthen the management of automobile data security, network security, online software upgrade, functional safety, ensure product quality and production consistency, and promote high-quality development of the intelligent internet connection automobile industry. The opinions require intelligent automotive manufacturers to store personal information and important data in China, and security assessment needs to be made in case of cross-border transfer of personal data and important data. It also requires intelligent automotive manufacturers to establish data asset management accounts, implement data classification and hierarchical management, strengthen the protection of personal information and important data, take technical measures for data security protection to ensure that data is continuously in a state of effective protection and legal use, and implement data security risk assessment, data security incident reporting, and other requirements in accordance with the law.

On August 16, 2021, the CAC, NDRC, MIIT, Ministry of Public Security, and Ministry of Transport jointly issued the Regulations on the Management of Automobile Data Security (for Trial Implementation), which took effect on October 1, 2021 and is aimed to regulate the activities of processing automobile data, including, without limitation, personal information and important data involved in the process of automotive design, production, sales, use, operation, and maintenance within the PRC territory. These regulations elaborate the principles and requirements for the protection of personal information and important data in the automobile industry scenarios. Automobile data processors are required to comply with the following principles and requirements when processing automobile data: (i) the principle of in-car processing: automobile data should be processed inside a car, unless it is absolutely necessary to provide the data outside the car; (ii) the principle of no collection by default: “No collection” should be set as default for every drive, unless the driver independently sets it otherwise; (iii) the principle of proper precision: the coverage and resolution of camera, radar, and others should be determined according to the data accuracy requirements of the functional services provided; and (iv) the principle of desensitization: anonymization and de-identification should be conducted as much as possible. Automobile data processors that process personal information are also required to notify individuals details on the data collected and use of data in an obvious way, such as a user manual, onboard display panel, audio, and vehicle use application. In addition, these regulations define “important data” as the data that may endanger national security, public interests, or the legitimate rights and interests of individuals or organizations if it is tampered with, damaged, disclosed, illegally obtained, or illegally used, including: (i) geographic information, passenger flow, vehicle flow, and other data of important sensitive areas such as military administrative zones, entities of science, technology and industry for national defense, and Chinese Communist Party organizations and government agencies at or above the county level; (ii) data reflecting economic operation such as vehicle flow and logistics; (iii) operational data of the automobile charging network; (iv) video and image data outside the vehicles that contain facial information and license plate information, among others; (v) personal information involving more than 100,000 subjects; and (vi) other data that may affect national security, public interest, and the legitimate rights and interests of individuals or organizations as specified by the CAC and other departments of the State Council. These regulations require that the important data should be stored within China, and if it is necessary to transfer such data abroad, it must undergo a security assessment organized by the regulator.

On July 7, 2022, the CAC issued the Measures for the Security Assessment of Cross-border Transfer of Data, which took effect on September 1, 2022. These measures require the data processor providing data overseas to apply for the security assessment of cross-border transfer of data with the local provincial-level counterparts of the national cybersecurity authority under any of the following circumstances: (i) where the data processor intends to provide important data overseas; (ii) where a critical information infrastructure operator and a data processor who has processed personal information of more than 1,000,000 individuals intends to provide personal information overseas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year intends to provide personal information overseas; or (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC. Furthermore, the data processor must conduct a self-assessment on the risk of data cross-border transfer prior to applying for the foregoing security assessment, under which the data processor must consider certain factors including, among other things, (i) the purpose, scope and manner of the cross-border data transfer and the overseas data recipient processing data and the legality, legitimacy and necessity thereof, (ii) the scale, scope, type and sensitivity of the transferred data, the risks to national security, public interests and the legitimate rights and interests of individuals or organizations arising from the cross-border data transfer, (iii) the overseas data recipient’s commitment to assume responsibility and obligations, the management and technical measures to fulfill the responsibilities and obligations, and the ability to ensure the security of the transferred data, (iv) the risk of data being tampered with, destroyed, leaked, lost, transferred, or illegally obtained or illegally used during and after the cross-border transfer, and the existence of channels for safeguarding the rights and interests of personal information, and (v) adequate compliance of data transfer-related contracts or other legally binding documents between the data processor and the overseas recipient with the data security protection responsibilities and obligations. The data processors that in violation of such measures are required to rectify such non-compliance within 6 months of the effectiveness date thereof.

On December 8, 2022, the MIIT issued the Measures for the Administration of Data Security in the Field of Industry and Information Technology (for Trial Implementation), which took effect on January 1, 2023. The measures are aimed to regulate the processing activities of data in the field of industry and information technology field conducted by data processors in China. The measures apply to industrial enterprises, software and information technology service companies, and companies holding licenses for operation of telecommunication services that independently determine the purposes and methods of data processing in the course of data processing activities. Data processing activities include, among others, the collection, storage, use, processing, transmission, provision, and disclosure of data. Pursuant to the measures, data in the field of industry and information technology includes industrial data, telecommunication data, and radio data generated and collected during the operation of the services. The measures provide for the classification of data in the field of industry and information technology as general, important, or core data, and provide specific requirements for the management of data classifications and data protection measures, including, among other things, data collection, storage, processing, transmission, disclosure, and destruction for data processors in the field of industry and information technology. In particular, data processors processing important data and core data are required to complete filing with the authorities for the catalogue of important data and core data. The filing information includes basic information on the data, such as category, classification, quantity, processing purposes and methods of data processing, scope of use, liable entities, data sharing, cross-border transfer of data, and data security protection measures. If over 30% of the quantity (i.e. number of data items or amount of data stored) of important and core data changes or there is any material change to other filing information, data processors must update the filing information with the authorities within three months after such change. Furthermore, the measures provide data security requirements for cross-border and data transfers for data processors. If a data processor needs to transfer data in cases of merger, restructuring, or bankruptcy, it must make data transfer plan and notify users affected. In addition, the measures indicate that the legal representative or principal of the data processor should be the primary person held accountable for data security and the person in charge of data security should take direct responsibility for the security of data processing activities.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Transfer, or the Cross-border Data Transfer Provisions, which took effect immediately. The Cross-border Data Transfer Provisions provide certain exemptions, including, among others, (i) where cross-border transfer of personal information is necessary for the execution or performance of a contract to which the individual is a party, and (ii) where data processors, other than CIIOs, transfer personal information (excluding sensitive personal information) of fewer than 100,000 individuals abroad in aggregate as of January 1 of the current year. Under these exemptions, such transfers are not subject to obligations typically required for cross-border data transfers, such as undergoing a data security assessment, signing a standard contract for the provision of personal information abroad, or obtaining certification for personal information protection. In addition, pursuant to the Cross-border Data Transfer Provisions, the personal information covered by these exemptions must not include important data. Any important data that is subject to a data security assessment for cross-border transfers will be designated and publicly announced by the relevant authorities or regions.

On May 10, 2024, the MIIT issued the Implementing Rules for the Risk Assessment of Data Security in the Field of Industry and Information Technology (Trial Implementation), which came into effect on June 1, 2024. These rules apply to data processing activities carried out by processors of important and core data within the industrial and information technology sectors in the PRC, specifically for the purpose of conducting data security risk assessments. Processors of such data are required to conduct assessments in line with the principles of timeliness, objectivity, and effectiveness, and to produce assessment reports that are truthful, complete, and accurate, for which they are held accountable. In addition, processors must conduct at least one data security risk assessment per year, with the results of the assessment remaining valid for one year.

On September 24, 2024, the State Council published the Administration Regulations on Network Data Security, or the Data Security Regulations, which became effective on January 1, 2025. The Data Security Regulations provides that network data processors conduct network data processing activities that affects or may possibly affect national security must conduct national security review in accordance with relevant laws and regulations. It also imposes specific requirements for network data processors that process important data. The Data Security Regulations define “important data” as “data in specific fields, specific groups, specific regions or reaching certain accuracy and scale, which if tampered with, destroyed, leaked or illegally obtained or used may directly endanger national security, economic operation, social stability, public health and safety.” The Data Security Regulations calls for the national data security coordination mechanism to coordinate with relevant authorities to issue catalogues of “important data” in relevant regions and sectors. Network data processors must identify and report the “important data” processed by them to relevant authorities, who are required to notify the network data processors or publish the results to the public in a timely manner. The Data Security Regulations imposes several compliance obligations on network data processors that process important data, including but not limited to, (i) appoint a network data security officer and establish an internal data security management organization; (ii) conduct a risk assessment before sharing, entrusting vendors for processing or jointly processing of important data, unless the above processing activities are necessary for fulfilling legal duties or obligations; (iii) report the important data disposition plan (including the name and contact information of the recipient of the important data to competent authorities at the provincial level before a merger, division, dissolution, or bankruptcy that could materially affect the security of important data; and (iv) conduct an annual risk assessment of network data processing activities and submit a risk assessment report to the relevant authorities at the provincial level which will then share the report with the provincial branch of the CAC and the public security authority.

On January 30, 2026, the MIIT and seven other departments published the Guidelines on Security for Outbound Transfer of Automotive Data (2026 Version) (the “Guidelines”), which became effective on the same date. The Guidelines are intended to guide and regulate the efficient, convenient, and secure conduct of outbound data transfer activities by automotive data processors and to enhance the facilitation of outbound automotive data transfers. Pursuant to the Guidelines, automotive data processors are required to declare a security assessment for outbound data transfers in the following circumstances: (i) where important data is transferred overseas; (ii) where personal information (excluding sensitive personal information) of more than one million individuals in aggregate has been transferred overseas since January 1 of the current year; (iii) where sensitive personal information of more than 10,000 individuals in aggregate has been transferred overseas since January 1 of the current year; (iv) where an operator of Critical Information Infrastructure transfers personal information overseas; or (v) other circumstances where relevant state regulations explicitly require a security assessment for outbound data transfers.

Regulations on E-Commerce

On August 31, 2018, the Standing Committee of the National People’s Congress promulgated the PRC E-Commerce Law, which took effect on January 1, 2019. The E-Commerce Law establishes the regulatory framework for the e-commerce sector in China for the first time by laying out certain requirements on e-commerce platform operators. Pursuant to the E-Commerce Law, e-commerce platform operators are required to prepare a contingency plan for cybersecurity incidents and take technological measures and other measures to prevent online illegal and criminal activities. The E-Commerce Law also expressly requires e-commerce platform operators to take necessary actions to ensure fair dealing on their platforms to safeguard the legitimate rights and interests of consumers, including to prepare platform service agreements, transaction information record-keeping, and transaction rules, to prominently display such documents on the platform’s website, and to keep such information for no less than three years following the completion of a transaction. Where the e-commerce platform operators conduct their own business on their platforms, they need to distinguish and mark their own business from the businesses of the business operators using the platform in a clear manner and should not mislead consumers. The e-commerce platform operators should bear civil liability of a commodity seller or service provider for the business marked as operated by the platform operator, pursuant to the law.

Regulations on Land and the Development of Construction Projects

Regulations on Land Grants

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land, which was promulgated by the State Council on May 19, 1990 and amended on November 29, 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land and the PRC Urban Real Estate Administration Law, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

Regulations on Planning of a Construction Project

Pursuant to the Regulations on Planning Administration Regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a construction land planning permit should be obtained from the municipal planning authority with respect to the planning and use of land. Pursuant to the PRC Urban and Rural Planning Law promulgated by the Standing Committee of the National People's Congress on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above pursuant to the Administrative Provisions on Construction Permit of Construction Projects promulgated by the Ministry of Housing and Urban-Rural Development on June 25, 2014, implemented on October 25, 2014, and amended on September 28, 2018 and March 30, 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated and implemented by the Ministry of Housing and Urban-Rural Development on December 2, 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent government department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

Regulations on Environmental Protection and Work Safety

Regulations on Environmental Protection

Pursuant to the PRC Environmental Protection Law promulgated by the Standing Committee of the National People's Congress on December 26, 1989, amended on April 24, 2014, and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose information or make an announcement, imposition of administrative action against the responsible persons, and orders to shut down enterprises. Any person or entity that pollutes the environment resulting in damage could also be held liable under the PRC Civil Code. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

Regulations on Work Safety

Under applicable construction safety laws and regulations, including the PRC Work Safety Law, which was promulgated by the Standing Committee of the National People's Congress on June 29, 2002, amended on August 27, 2009, August 31, 2014, and June 10, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards. Automobile and components manufacturers are subject to such environment protection and work safety requirements.

Regulations on Fire Control

Pursuant to the PRC Fire Safety Law, which was promulgated by the Standing Committee of the National People's Congress and most recently amended on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project promulgated by the Ministry of Housing and Urban-Rural Development, which took effect on June 1, 2020 and was most recently amended on August 21, 2023, the construction entity of a large-scale crowded venue (including the construction of a manufacturing plant whose size is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, the use of such projects, or the operation of the business, and (ii) a fine between RMB30,000 and RMB300,000.

Regulations on Intellectual Property Rights

Patent Law

According to the PRC Patent Law which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984 and last amended in 2020 the State Intellectual Property Office is responsible for administering patent law in China. The patent administration departments of the provincial, autonomous region, or municipal governments are responsible for administering patent law within their respective jurisdictions. The PRC patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness, and practicability. A patent is valid for twenty years in the case of an invention, ten years in the case of utility models, and fifteen years in the case of designs.

Regulations on Copyright

The PRC Copyright Law, which took effect on June 1, 1991 and was last amended in November 2020 provides that works of Chinese citizens, legal entities, or unincorporated organizations, whether published or not, enjoy copyright in accordance with the PRC Copyright Law. "Works" refer to ingenious intellectual achievements in the fields of literature, art, and science that can be presented in a certain form. Copyright owners enjoy certain legal rights, including right of publication, right of authorship, and right of reproduction. The Copyright Law as revised in 2010 extends copyright protection to Internet activities, products disseminated over the Internet, and software products. In addition, the PRC Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Center. Pursuant to the PRC Copyright Law, an infringer of copyrights is subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners, and compensating the loss of the copyright owners. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Copyright Protection Regulations promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the software copyright owner may go through the registration formalities with a software registration authority recognized by the State Council's copyright administrative department. The software copyright owner may authorize others to exercise that copyright and is entitled to receive remuneration.

Trademark Law

Trademarks are protected under the PRC Trademark Law, which was adopted on August 23, 1982 and subsequently amended in 1993, 2001, 2013, and 2019, respectively, and the Implementation Regulations of the PRC Trademark Law adopted by the State Council in 2002 and most recently amended on April 29, 2014. The Trademark Office of China National Intellectual Property Administration handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which should be filed with the Trademark Office for the record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such a trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

The PRC Trademark Law (Draft Amendment) was released on December 27, 2025 for public consultation and remains under consultation as of the date of this annual report.

Regulations on Domain Names

The MIIT promulgated the Measures on Administration of Internet Domain Names on August 24, 2017, which took effect on November 1, 2017 and replaced the Administrative Measures on China Internet Domain Names promulgated by the MIIT on November 5, 2004. Pursuant to these measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

Regulations on Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by SAFE and other PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for capital account items, such as direct equity investments, loans, and repatriation of investment, requires the prior approval from SAFE or its local office.

Payments for transactions that take place in China must be made in Renminbi. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Settlement of Foreign Capital of Foreign-Invested Enterprise, which took effect on June 1, 2015 and was amended on December 30, 2019. This circular provides that an foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to this circular, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capital on a discretionary basis; an foreign-invested enterprise should truthfully use its capital for its own operational purposes within the scope of its business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the foreign-invested enterprise must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, which was promulgated and took effect on June 9, 2016 and was amended on December 4, 2023, provides that enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi at their own discretion. This circular also provides an integrated standard for the conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) at their own discretion, which applies to all enterprises registered in China.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

Pursuant to the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, which was promulgated and took effect on October 23, 2019 and was amended on December 4, 2023, all foreign-invested enterprises to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

Pursuant to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business promulgated and effective on April 10, 2020 by SAFE, the reform of facilitating the payments of incomes under the capital accounts will be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt, and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Pursuant to the Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment and other laws and regulations relating to foreign exchange, when setting up a new foreign-invested enterprise, the enterprise should register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including, without limitation, any increase in its registered capital or total investment, the foreign-invested enterprise must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with the authorities. Pursuant to the foreign exchange laws and regulations, such foreign exchange registration with the banks will typically take less than four weeks upon the acceptance of the registration application.

On September 12, 2025, SAFE promulgated the Circular on Deepening the Reform of Foreign Exchange Management concerning Cross-border Investment and Financing, which permits foreign-invested enterprises to reinvest lawfully generated foreign exchange profits within China and relaxes certain restrictions under the negative list governing the use of capital account income. Specifically, foreign-invested enterprises may transfer relevant foreign exchange funds for domestic reinvestment into the capital account of the investee enterprise or into the capital account of the equity transferor for purposes of capital transactions.

Loans by the Foreign Companies to Their PRC Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered foreign debt in China and is regulated by various laws and regulations, including the PRC Regulation on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts (Revised in 2022), the Statistical Monitoring of Foreign Debt Tentative Provisions, and the Administrative Measures for Registration of Foreign Debt. Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within fifteen business days after the entering of the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign-invested enterprise cannot exceed the difference between the total investment and the registered capital of the foreign-invested enterprise.

On January 12, 2017, the People's Bank of China promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing. Pursuant to the notice, within a transition period of one year from January 12, 2017, foreign-invested enterprises may adopt the currently valid foreign debt management mechanism, or the mechanism as provided in the notice at their own discretions. The notice provides that enterprises may conduct independent cross-border financing in Renminbi or foreign currencies as required. Pursuant to the notice, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) will be calculated using a risk-weighted approach and cannot exceed certain specified upper limits. The notice further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises is 200% of its net assets. Enterprises must file with SAFE in its capital item information system after entering into the cross-border financing contracts and prior to three business days before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, the balance of such loans cannot exceed the difference between the total investment and the registered capital of the subsidiaries and we will need to register such loans with SAFE or its local branches in the event that the currently valid foreign debt management mechanism applies, or the balance of such loans will be subject to the risk-weighted approach and the aforementioned 200% net asset limits and we will need to file the loans with SAFE in its information system in the event that the mechanism as provided in the notice applies.

On December 4, 2023, SAFE issued the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment, pursuant to which qualified enterprises may independently borrow foreign debts within the limit of the equivalent of US\$5 million or US\$10 million, depending on their areas of incorporation.

Offshore Investment

Under the Circular of SAFE on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles, effective on July 4, 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle, which is defined as an offshore enterprise directly established or indirectly controlled by PRC residents for investment and financing purposes, with the enterprise assets or interests PRC residents hold in China or overseas. The term "control" means to obtain the operation rights, right to proceeds, or decision-making power of a special purpose vehicle through acquisition, trust, holding shares on behalf of others, voting rights, repurchase, convertible bonds, or other means. An amendment to registration or subsequent filing with the local SAFE branch by such PRC residents is also required if there is any change in the basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-Trip Investment regarding the procedures for SAFE registration under this circular, which took effect on July 4, 2014 as an attachment of such circular.

Under the applicable rules, failure to comply with the registration procedures set forth in the Circular of SAFE on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles may result in bans on the foreign exchange activities of the onshore company, including the payment of dividends and other distributions to its offshore parent or affiliates, and may also subject PRC residents to penalties under PRC foreign exchange administration regulations.

As of the date of this annual report, our founder, Mr. Xiang Li, Mr. Tie Li and ten other PRC residents known to us that currently hold direct or indirect ownership interests in our company have completed the initial registrations with SAFE as required by SAFE regulations. Mr. Xiang Li and four other officers, directors or PRC residents are planning to update the registrations with respect to the capital of their respective offshore holding vehicles. We cannot assure you that all of our shareholders or beneficial owners that are PRC residents, including the beneficiaries of certain trusts directly or indirectly holding interests in our company, have complied with, and will in the future make, obtain, or update any applicable registrations or approvals required by, SAFE regulations.

Regulations on Dividend Distribution

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in China include the PRC Company Law, as amended in 2004, 2005, 2013, 2018, and 2023, with the latest amendment to take effect on July 1, 2024, as well as the PRC Foreign Investment Law and its implementation rules. Under the current regulatory regime in China, foreign-invested enterprises in China may pay dividends only out of their retained earnings, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds at least 10% of its after-tax profit, until the cumulative amount of such reserve funds reaches 50% of its registered capital unless laws regarding foreign investment provide otherwise. A PRC company cannot distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations on Taxation

PRC Taxation

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law, which was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council enacted the Regulations for the Implementation of the Enterprise Income Tax Law, which took effect on January 1, 2008 and recently amended on December 6, 2024. Under the Enterprise Income Tax Law and the implementation regulations, both resident enterprises and non-resident enterprises are subject to tax in China. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within China. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the Enterprise Income Tax Law and the implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment or premises in China but there is no actual relationship between the income derived in China and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

Value-Added Tax

On December 25, 2024, the Standing Committee of the National People's Congress published the PRC Value-Added Tax Law, which came into effect on January 1, 2026. On December 25, 2025, the State Council issued the Regulations for the Implementation of the Value-Added Tax Law of the PRC, which became effective on January 1, 2026. The new law makes changes in the areas of taxable acts, tax jurisdiction, deemed sales, non-taxable items, simplified taxation, withholding agents, input taxes, non-creditable input taxes, mixed sales, and input credit carry-forward and refund. Pursuant to the PRC Value-Added Tax Law, VAT rates are generally set at 13% for the sale of goods and certain services, 9% for transportation, construction, real estate and certain specified goods, and 6% for services and intangible assets, with a zero rate applicable to exports of goods and certain cross-border services and intangible assets, subject to applicable regulations.

Dividend Withholding Tax

The Enterprise Income Tax Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in China, or that have such establishment or place of business but the income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009, if the PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the State Taxation Administration and took effect on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on income or levy tax at an extremely low rate, will be taken into account, and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” must submit the required documents to the tax bureau pursuant to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements.

Tax on Indirect Transfer

On February 3, 2015, the State Taxation Administration issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises. Pursuant to the circular, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to the circular, where the payer fails to withhold any or sufficient tax, the transferor must declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. The circular does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the State Taxation Administration issued the Circular on Issues of Tax Withholding Regarding Non-PRC Resident Enterprise Income Tax, which was amended by the Announcement of the State Taxation Administration on Revising Certain Taxation Normative Documents issued on June 15, 2018 by the State Taxation Administration and further elaborates the implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises. The circular may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

Regulations on Employment and Social Welfare

Labor Contract Law

The PRC Labor Contract Law, which took effect on January 1, 2008 and amended on December 28, 2012, primarily aims at regulating rights and obligations of employer and employee relationships, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999, and the PRC Social Insurance Law implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in China with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the required contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. On July 20, 2018, the General Office of the State Council issued the Plan for Reforming the State and Local Tax Collection and Administration Systems, which stipulated that the State Taxation Administration will be solely responsible for collecting social insurance premiums.

Housing Fund

In accordance with the Regulations on the Administration of Housing Funds, which was promulgated by the State Council in 1999 and amended in 2002 and 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employers and employees are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Companies, which was issued by SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the State Taxation Administration has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in China who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with the laws and regulations, the PRC subsidiaries may be subject to sanctions imposed by the tax authorities or other PRC governmental authorities.

M&A Rules and Overseas Listing

On August 8, 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the CSRC, promulgated the M&A rules governing the mergers and acquisitions of domestic enterprises by foreign investors, which took effect on September 8, 2006 and was revised on June 22, 2009. These rules, among other things, require that if an overseas company established or controlled by PRC companies or PRC citizens intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC citizens, such acquisition must be submitted to the Ministry of Commerce for approval. These rules also require that an offshore special purpose vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, must obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

On July 6, 2021, the General Office of the State Council and Central Committee of the Communist Party of China issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. The opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines, which took effect on March 31, 2023. Pursuant to these regulations, companies in the Chinese mainland that directly or indirectly offer or list their securities in an overseas market, including a company in the Chinese mainland limited by shares and an offshore company whose main business operations are in the Chinese mainland and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in the Chinese mainland are required to file with the CSRC within three business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under these regulations or conceals any material fact or falsifies any major content in its filing documents may subject the company to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, direct officers-in-charge and other direct personnel-in-charge may also be subject to administrative penalties, such as warnings and fines. These regulations also provide that a company in the Chinese mainland must file with the CSRC within three business days for its follow on offering of securities after it is listed in an overseas market. On February 17, 2023, the CSRC also issued the Notice on Administration of the Filing of Overseas Offering and Listing by Domestic Companies and held a press conference for the release of these regulations, which, among others, clarified that the companies in the Chinese mainland that have been listed overseas before March 31, 2023 are not required to file with the CSRC immediately, but these companies should complete filing with the CSRC for their refinancing activities in accordance with these regulations. Based on the foregoing, we are not required to complete filing with the CSRC for our prior overseas offerings at this stage, but we may be subject to the filing requirements for our future capital raising activities under these regulations.

In addition, pursuant to these regulations, enterprises in the Chinese mainland is prohibited from overseas offering and listing under any of the following circumstances, if (i) the overseas offering and listing is explicitly prohibited by PRC laws; (ii) the overseas offering and listing may constitute a threat to or endanger national security as determined by the PRC authorities; (iii) the domestic enterprises and their controlling shareholders and actual controllers have committed certain criminal offenses (such as corruption, bribery, embezzlement, misappropriation of property or other criminal offenses undermining the order of the socialist market economy) in the past three years; (iv) the domestic enterprises are currently under investigations in connection with suspicion of having committed criminal offences or material violations of applicable laws and regulations and there is still no explicit conclusion; or (v) there is material ownership disputes over the shareholdings held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the actual controllers.

On February 24, 2023, the CSRC, jointly with other government authorities, issued the Provisions on Strengthening the Confidentiality and Archive Management Work Relating to the Overseas Securities Offering and Listing by Domestic Companies, which took effect on March 31, 2023. These provisions expanded the applicable scope of the regulation to indirect overseas offerings and listings by companies based in the Chinese mainland and emphasized the confidentiality and archive management duties of such companies during the process of overseas offerings and listings. Pursuant to these provisions, companies based in the Chinese mainland that offer and list securities in overseas markets must establish confidentiality and archives system. The “companies based in the Chinese mainland” refer to companies in the Chinese mainland limited by shares which are directly listed in the overseas capital market and the domestic operation entities of an offshore company being indirectly listed in a foreign stock exchange. The companies based in the Chinese mainland must obtain approval from the authorities and file with the confidential administration department at the same level when providing or publicly disclosing documents and materials related to state secrets or secrets of the government authorities to the securities companies, securities service agencies or the offshore regulatory authorities, or providing or publicly disclosing such documents and materials through its offshore listing entity. In addition, the companies based in the Chinese mainland should complete corresponding procedures when (i) providing or publicly disclosing documents and materials which may adversely affect national security and public interest to the securities companies, securities service agencies or the offshore regulatory authorities, (ii) providing or publicly disclosing such documents and materials through its offshore listing entity, or (iii) providing accounting files or copies to the security companies, security service institutions, overseas regulators and individuals. The companies based in the Chinese mainland are also required to provide written statements on the implementation of the aforementioned rules to the securities companies and securities service agencies. If a company based in the Chinese mainland finds that the documents and materials related to state secrets or secrets of the government authorities or other materials which may adversely affect national security and public interest have been leaked or are going to be leaked, it should take remedial measures immediately and report to the authorities.

Anti-Monopoly

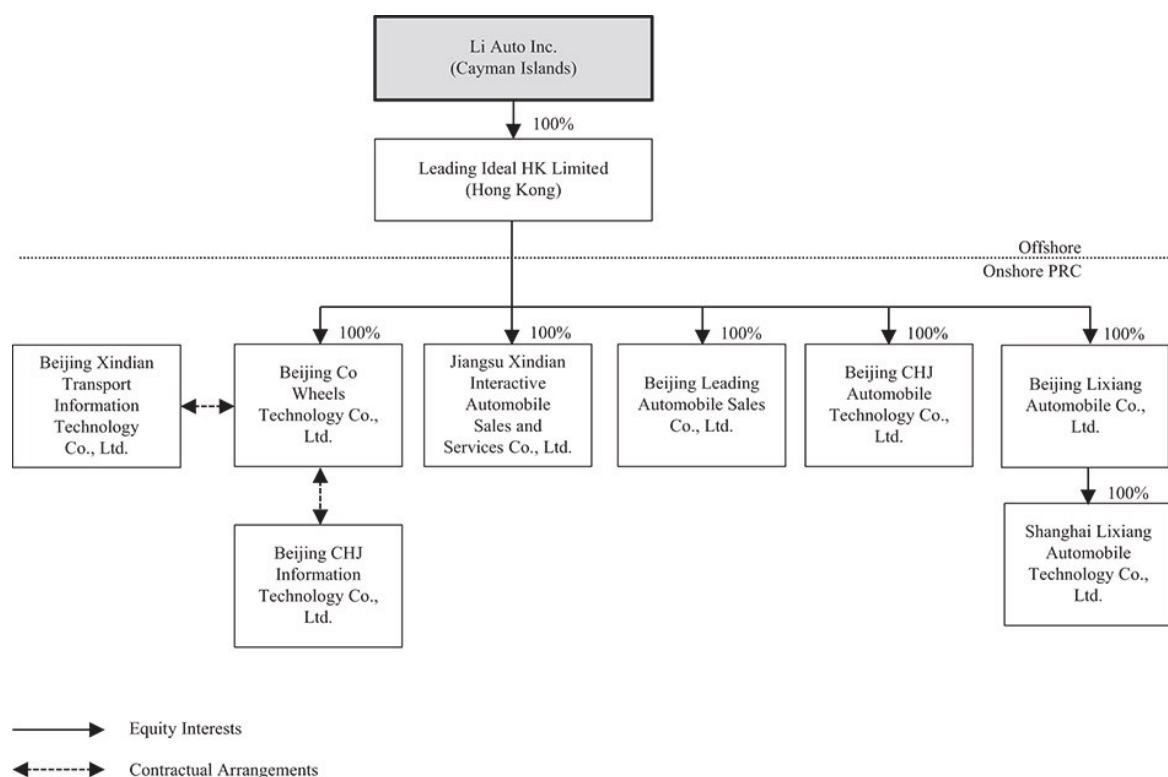
The Standing Committee of the National People's Congress promulgated the PRC Anti-Monopoly Law on August 30, 2007, which became effective on August 1, 2008 and was last amended on June 24, 2022, reiterates that monopolistic conduct such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition are prohibited. Furthermore, a business operator with a dominant market position may not abuse such position to conduct acts such as selling commodities at unfairly high prices or purchasing commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for the violations of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

On August 3, 2008, the State Council issued the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators, which took effect on the same date, and last amended and took effective on January 22, 2024. Pursuant to the Anti-Monopoly Law and such Provisions, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned must file a prior notification with the Anti-Monopoly agency (i) the total global turnover of all operators participating in the transaction exceeded RMB12 billion in the preceding fiscal year and at least two of these operators each had a turnover of more than RMB800 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB4 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB800 million within China in the preceding fiscal year are triggered, and no concentration shall be implemented until the Anti-Monopoly agency clears the Anti-Monopoly filing. In addition, the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators also provide that a transaction must be reported to the anti-monopoly authority if there is evidence indicating that the concentration of business operators has or may have an effect of excluding or restricting competition. Even if the threshold standard is not met, the anti-monopoly authority may order such operators to file for clearance. "Concentration of undertakings" means any of the following: (i) merger of undertakings; (ii) acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means. On March 10, 2023, the SAMR issued the Provisions on the Review of Concentration of Undertakings, the Provisions on the Prohibition of Monopoly Agreements, the Provisions on the Prohibition of Acts of Abuse of Dominant Market Position, and the Provisions on the Prohibition of Acts of Abuse of Administrative Power to Exclude or Restrict Competition. These provisions took effect on April 15, 2023, further consolidating the PRC anti-monopoly legal system and rules.

C. Organizational Structure

Corporate Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and the VIEs, as of the date of this annual report.



Contractual Arrangements with the VIEs and Their Shareholders

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in value-added telecommunication services and certain other businesses. Li Auto Inc. is an exempted company with limited liability incorporated in the Cayman Islands. Wheels Technology is our PRC subsidiary and a foreign-invested enterprise under the PRC laws. To comply with PRC laws and regulations, we primarily conduct our business in China through the VIEs, Beijing CHJ and Xindian Information, and their subsidiaries in China, based on a series of contractual arrangements by and among Wheels Technology, the VIEs, and their respective shareholders.

Our contractual arrangements with the VIEs and their respective shareholders allow us to (i) exercise effective control over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, and (iii) have an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by the PRC laws.

As a result of our direct ownership in Wheels Technology and the contractual arrangements with the VIEs, we are regarded as the primary beneficiary of the VIEs, and we treat the VIEs and their subsidiaries as our consolidated entities under U.S. GAAP. We have consolidated the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among Wheels Technology, the VIEs, and their respective shareholders.

Agreements that provide us with a controlling financial interest over the VIEs and their subsidiaries

Powers of Attorney and Business Operation Agreement. Pursuant to the respective power of attorney entered into in July 2023, each shareholder of Beijing CHJ irrevocably authorized Wheels Technology to act as his attorney in-fact to exercise all of his rights as a shareholder of Beijing CHJ, including the right to convene shareholder meetings, the right to vote and sign any resolution as a shareholder, the right to appoint directors, supervisors, and officers, and the right to sell, transfer, pledge, and dispose of all or a portion of the equity interest held by such shareholder. These powers of attorney will remain in force for 10 years. Upon request by Wheels Technology, each shareholder of Beijing CHJ shall extend the term of its authorization prior to its expiration.

Pursuant to the business operation agreement entered into in April 2021 by and among Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information, Xindian Information will not take any action that may have a material adverse effect on its assets, businesses, human resources, rights, obligations, or business operations without prior written consent of Wheels Technology. Xindian Information and its shareholders further agreed to accept and strictly follow Wheels Technology's instructions relating to Xindian Information's daily operations, financial management, and election of directors appointed by Wheels Technology. The shareholders of Xindian Information agree to transfer any dividends or any other income or interests they receive as the shareholders of Xindian Information immediately and unconditionally to Wheels Technology. Unless Wheels Technology terminates this agreement in advance, this agreement will remain effective for 10 years and can be renewed upon request by Wheels Technology prior to its expiration. Xindian Information and its shareholders have no right to terminate this agreement unilaterally. Pursuant to the business operation agreement, each shareholder of Xindian Information has executed a power of attorney in April 2021 to irrevocably authorized Wheels Technology to act as his or her attorney- in-fact to exercise all of his or her rights as a shareholder of Xindian Information. The terms of these powers of attorney are substantially similar to the powers of attorney executed by the shareholders of Beijing CHJ described above.

Spousal Consent Letters. Spouses of the two shareholders of Beijing CHJ, who collectively hold 100% of equity interests in Beijing CHJ, have each signed a spousal consent letter. Each signing spouse of the relevant shareholder acknowledges that the equity interests in Beijing CHJ held by the shareholder are the personal assets of that shareholder and not jointly owned by the married couple. Each signing spouse also has unconditionally and irrevocably disclaimed her rights to the equity interests and any associated economic rights or interests to which she may be entitled pursuant to applicable laws, and has undertaken not to make any assertion of rights to such equity interests and the underlying assets. Each signing spouse has agreed and undertaken that she will not carry out in any circumstances any conducts that are contradictory to the contractual arrangements and the spousal consent letter.

Spouses of nine shareholders of Xindian Information, who collectively hold 98.1% equity interests in Xindian Information, have each signed a spousal consent letter, which includes terms substantially similar to the spousal consent letter relating to Beijing CHJ described above.

Equity Pledge Agreements. Pursuant to the equity pledge agreement entered into in July 2023 by and between Wheels Technology and the shareholders of Beijing CHJ, the shareholders of Beijing CHJ have agreed to pledge 100% of equity interests in Beijing CHJ to Wheels Technology to guarantee the performance by the shareholders of their obligations under the equity option agreement and the power of attorney, as well as the performance by Beijing CHJ of its obligations under the equity option agreement, the power of attorney, and payment of service fees to Wheels Technology under the exclusive consultation and service agreement. In the event of a breach by Beijing CHJ or any shareholder of contractual obligations under the equity pledge agreement, Wheels Technology, as pledgee, will have the right to dispose of the pledged equity interests in Beijing CHJ and will have priority in receiving the proceeds from such disposal. The shareholders of Beijing CHJ also have undertaken that, without prior written consent of Wheels Technology, they will not dispose of, create, or allow any encumbrance on the pledged equity interests.

In April 2021, Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an equity pledge agreement, which includes terms substantially similar to the equity pledge agreement relating to Beijing CHJ described above.

We have completed the registration of the equity pledge relating to Beijing CHJ and Xindian Information with the local branches of the SAMR in accordance with applicable PRC laws.

Agreements that allow us to receive economic benefits from the VIEs and their subsidiaries

Exclusive Consultation and Service Agreements. Pursuant to the exclusive consultation service agreement entered into in July 2023 by and between Wheels Technology, and Beijing CHJ, Wheels Technology has the exclusive right to provide Beijing CHJ with software technology development, technology consulting, and technical services required by Beijing CHJ's business. Without Wheels Technology's prior written consent, Beijing CHJ cannot accept any same or similar services subject to this agreement from any third party. Beijing CHJ agrees to pay Wheels Technology an annual service fee at an amount that is adjusted in accordance with Wheels Technology's sole discretion for that quarter and also the mutually agreed-upon amount for certain other technical services, both of which should be paid within 10 days after Wheels Technology sends invoice within 30 days after the end of the calendar quarter. Wheels Technology has exclusive ownership of all the intellectual property rights created as a result of the performance of the exclusive consultation and service agreement, to the extent permitted by applicable PRC laws. To guarantee Beijing CHJ's performance of its obligations thereunder, the shareholders have agreed to pledge their equity interests in Beijing CHJ to Wheels Technology pursuant to the equity pledge agreement. The Exclusive Consultation and Service Agreement will remain effective for 10 years, unless otherwise terminated by Wheels Technology. Upon request by Wheels Technology, the term of this agreement can be renewed prior to its expiration.

In April 2021, Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an exclusive consultation and service agreement, which includes terms substantially similar to the Exclusive Consultation and Service Agreement relating to Beijing CHJ described above.

Agreements that provide us with the option to purchase the equity interests in and assets of the VIEs and their subsidiaries

Equity Option Agreements. Pursuant to the equity option agreement entered into in July 2023 by and between Wheels Technology, Beijing CHJ, and each of the shareholders of Beijing CHJ, the shareholders of Beijing CHJ have irrevocably granted Wheels Technology an exclusive option to purchase all or part of their equity interests in Beijing CHJ, and Beijing CHJ has irrevocably granted Wheels Technology an exclusive option to purchase all or part of its assets. Wheels Technology or its designated person may exercise such options to purchase equity interests at the lower of the amount of their respective paid-in capital in Beijing CHJ and the lowest price permitted under applicable PRC laws. Wheels Technology or its designated person may exercise the options to purchase assets at the lowest price permitted under applicable PRC laws. The shareholders of Beijing CHJ have undertaken that, without Wheels Technology's prior written consent, they will not, among other things, (i) transfer or otherwise dispose of their equity interests in Beijing CHJ, (ii) create any pledge or encumbrance on their equity interests in Beijing CHJ, (iii) change Beijing CHJ's registered capital, (iv) merge Beijing CHJ with any other entity, (v) dispose of Beijing CHJ's material assets (except in the ordinary course of business), or (vi) amend Beijing CHJ's articles of association. The equity option agreement will remain effective for 10 years and can be renewed upon request by Wheels Technology.

In April 2021, Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an equity option agreement, which includes terms substantially similar to the equity option agreement relating to Beijing CHJ described above.

In the opinion of Han Kun Law Offices, our PRC legal counsel:

- the ownership structures of the VIEs in China and Wheels Technology are not in violation of any explicit provisions of PRC laws and regulations currently in effect; and
- each of the agreements listed above among our company, Wheels Technology, the VIEs, and their respective shareholders governed by PRC law is valid, binding, and enforceable in accordance with their terms and applicable laws and regulations currently in effect.

However, our PRC legal counsel has also advised us that the interpretation and application of current and future PRC laws, regulations, and rules are evolving, and the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel. It is uncertain whether any new PRC laws or regulations relating to the VIE structures will be adopted or if adopted, what they would provide. If we or the VIEs are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures in accordance with applicable laws. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The interpretation and implementation of the PRC Foreign Investment Law and its Implementation Rules are evolving, and we cannot fully ascertain how they may impact the viability of our current corporate structure, corporate governance, and operations.”

The revenue contribution of the VIEs and their subsidiaries, taking into account all of their respective business with or without foreign investment restrictions under PRC laws, amounted to less than 0.1% of our total revenues in 2023, 2024 and 2025.

D. Property, Plants and Equipment

We are headquartered in Beijing, China. We currently own a manufacturing base in Changzhou, Jiangsu Province, China, and have a manufacturing base in Beijing, China on lease. The total coverage of these manufacturing bases is 1.8 million square meters.

We have also leased a number of our facilities. The following table sets forth the location, approximate size, and primary use of our major leased facilities as of December 31, 2025.

Location⁽¹⁾	Approximate Size (Building) in Square Meters	Primary Use
Beijing	176,282	Headquarters, office, research and development
Beijing, Shanghai, Hangzhou, Shenzhen, Xi'an, and Zhuhai	43,183	Office
Beijing, Shanghai, Tianjin, Chongqing, 22 provinces, and five autonomous regions in China	848,340	Retail stores, delivery centers, and servicing centers
Beijing and Shanghai	35,801	Vehicle, engineering, and other services
United States	159	Office
Kazakhstan	115	Office

Note:

(1) We also have office spaces in Hong Kong, the United Arab Emirates and Germany through flexible or shared office arrangements.

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report.

A. Operating Results

We are a leader in China’s NEV market. We design, develop, manufacture, and sell premium smart electric vehicles, including both EREVs and BEVs. The cumulative deliveries of our vehicles surpassed 1,500,000 as of December 31, 2025.

Key Factors Affecting Our Results of Operations

Our business and results of operations are affected by a number of general factors that impact the China automotive industry, including, among others, overall economic growth in China, any increase in per capita disposable income, growth in consumer spending, raw material costs, and the competitive environment. They are also affected by a number of factors affecting the NEV industry in China, including laws, regulations, and government policies, battery and other new energy technology development, charging infrastructure development, and increasing awareness of the environmental impacts of tailpipe emissions. Unfavorable changes in any of these general factors could adversely affect demand for our vehicles and materially and adversely affect our results of operations.

While our business is influenced by these general factors, our results of operations are more directly affected by the following company-specific factors.

Our ability to attract orders and achieve delivery targets

Our results of operations depend significantly on our ability to attract orders from users and achieve our vehicle delivery targets, both of which impact our sales volume. Appropriate vehicle pricing is essential for us to remain competitive in the China automotive market while preserving our ability to achieve and maintain profitability in the future. When our premium SUVs compete with comparable premium models of other automakers, an attractive price can help boost orders, which in turn may contribute to our sales volume and revenue growth. In addition, it is critical for us to successfully manage production ramp-up and quality control so as to deliver vehicles to users in adequate volume and high quality. As we continue to scale our production and diversify our product portfolio, we may have challenges in our quality control processes. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our ability to develop, manufacture, and deliver automobiles of high quality and appeal to users, on schedule, and on a large scale is unproven and still evolving.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We may be compelled to undertake product recalls or other actions, which could adversely affect our brand image, financial condition, results of operations, and growth prospects.”

Our ability to control production and material costs

Our cost of sales primarily consists of direct production and material costs. Our future profitability significantly depends on our ability to manufacture our vehicles in an efficient manner. As part of the manufacturing process, we purchase a wide variety of components, raw materials, and other supplies. We expect that our cost of sales will be affected primarily by fluctuations in certain raw material prices, although we typically seek to manage these costs and minimize their volatility through our arrangements with the suppliers, as well as our production volume. As our business further grows in scale and we establish ourselves as a major player in the NEV industry in China, we expect to have higher bargaining power and hence more favorable terms from suppliers, including pricing and payment terms.

Our ability to execute effective marketing

Our ability to execute effective marketing will affect the growth of our orders. Demand for our vehicles directly affects our sales volume, which in turn contributes to our revenue growth and our ability to achieve and maintain profitability. Vehicle orders may depend, in part, on whether prospective users find it compelling to purchase our vehicles among competing vehicle models as their first, second, or replacement cars, which in turn depends on prospective users’ perception of our brand. We guide our marketing channel selection and marketing expenditure by precisely analyzing the effectiveness of marketing channels based on our needs at various stages of sales and brand awareness. Effective marketing can help amplify our efforts in boosting vehicle sales with efficient costs.

Our ability to maintain and improve operating efficiency

Our results of operations are further affected by our ability to maintain and improve our operating efficiency, as measured by our total operating expenses as a percentage of our revenues. This is important to the success of our business and our prospect of consistently maintaining achieving profitability. As our business grows, we expect to further improve our operating efficiency and achieve economies of scale.

Key Components of Results of Operations

Revenues

Our revenues consist of vehicle sales and other sales and services revenues. We begin recognizing vehicle sales revenues when we begin making deliveries of the applicable models. We also recognize revenues from peripheral products and services, including multiple distinct products and services of vehicle sales such as providing non-warranty after-sales services, sales of charging stalls, goods from online store, parts and accessories, sales of Li Plus Membership, and commission service.

Cost of Sales

Vehicle sales

Our cost of sales primarily consists of cost of vehicles sales, including direct production and material costs, labor costs, manufacturing overhead (including depreciation of assets associated with the production), shipping and logistics costs, reserves for estimated warranty costs, and consumption tax and related surcharge. The cost of sales also includes adjustments to warranty costs and charges to write down the carrying value of the inventory when it exceeds its estimated net realizable value or the inventory that is either obsolete or in excess of the forecasted demand, losses on inventory purchase commitments, and impairment charges of manufacturing property, plant, and equipment.

Other sales and services

Cost of other sales and services generally includes costs associated with providing non-warranty after-sales services, cost of goods from online stores and parts and accessories, costs of charging stalls, vehicle internet connection costs, and shipping and logistic costs.

Operating Expenses

Our operating expenses primarily consist of research and development expenses and selling, general and administrative expenses.

Research and Development Expenses

Our research and development expenses are primarily comprised of salaries, bonuses, benefits and share-based compensation expenses for those employees engaged in research, design and development activities, consultation fees, validation and testing fees, and other expenses that are directly attributable to the development of new technologies and products, depreciation and amortization of equipment and software of research and development activities and other expenses. Research and development costs are expensed as incurred, except for certain costs associated with developing internal-use software when such costs are incurred within the application development stage of software development.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist of salaries, bonuses, benefits and share-based compensation expenses for sales and marketing personnel and the employees involved in general corporate functions, marketing and promotional expenses, rental and other expenses associated with sales and servicing network, professional service fees, depreciation and amortization expenses, and other general corporate related expenses.

Interest Income and Investment Income, Net

Interest income primarily consists of interest earned on cash deposits in banks. Investment income primarily consists of gain from short-term investments and fair value changes in our long-term investments.

Seasonality

The sales volume of passenger vehicles typically declines over January and February, particularly around the Chinese New Year, gradually climbs over the spring and summer months, and typically culminates in the last three months of the calendar year. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. Also, any unusually severe weather conditions in some markets may impact demand for our vehicles.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or brought within the jurisdiction of, the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Our subsidiary incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends from our subsidiary in Hong Kong to us are not subject to any Hong Kong withholding tax.

Mainland China

Three, four and four of our consolidated entities applied preferential enterprise income tax rate of 15% for the years ended December 31, 2023, 2024 and 2025, respectively, being qualified as “high and new technology enterprise” under the PRC Enterprise Income Tax law. The high and new technology enterprise certificate is effective for a period of three years. One entity is in line with China’s Western Region Development Strategy for a preferential enterprise income tax rate of 15% from the year ended December 31, 2023 to the year ending December 31, 2030.

One of our subsidiaries was awarded as a Software Enterprise in March 2022 and was thereby entitled to an income tax exemption for two years beginning from its first profitable calendar year since 2022, and a 50% reduction in the standard statutory income tax rate for the subsequent three consecutive years. The subsidiary was also approved as a “National Encouraged Key Software Enterprises” in May 2024 and May 2025. Entities recognized as “National Encouraged Key Software Enterprises” will be exempted from enterprise income tax for the first five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years, and be subject to a preferential income tax rate of 10% after the first five years. Accordingly, the subsidiary was qualified to enjoy the preferential income tax rate of 0% in calendar year 2024. The “National Encouraged Key Software Enterprises” status is subject to annual evaluation and approval by the relevant authorities, and the timing of annual review and approval by the relevant authorities vary from year to year. The related reduction in income tax expense as a result of official approval confirming “National Encouraged Key Software Enterprises” status is accounted for upon receipt of such approval. Therefore, for the calendar year of 2025, the subsidiary applied preferential income tax rate of 12.5% (50% reduction in the standard statutory income tax rate) as a Software Enterprise. Other Chinese companies are subject to enterprise income tax at a uniform rate of 25% as of December 31, 2025.

We are subject to VAT rate of 13% for revenue from sales of vehicles, sales of charging stalls, goods from online store, parts and accessories in the PRC, and VAT rate of 6% for revenue from provision of commission service in the PRC. We are also subject to surcharges on value-added tax payments in accordance with PRC laws.

We are subject to consumption tax rate of 3% and related surcharge for the sales of extended-range electric passenger vehicles.

Dividends paid by our PRC subsidiaries to our Hong Kong subsidiary will be subject to a withholding tax rate of 10%, unless the Hong Kong subsidiary satisfies all the requirements under the Arrangement Between China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital and receives approval from the competent tax authority, in which case dividends paid to the Hong Kong subsidiary will be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the aforementioned approval requirement had been abolished, but a Hong Kong entity is still required to file application package with the tax authority, and to settle overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the tax authority.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

For more information on tax regulations, see “Item 10. Additional Information—E. Taxation.”

Significant Accounting Policies and Critical Accounting Estimates

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements.

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenue and expenses during the reported period in the consolidated financial statements and accompanying notes. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of significant accounting policies, judgments, and related critical estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this annual report. When reviewing our financial statements, you should consider (i) our selection of significant accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue Recognition

Our revenues are primarily derived from sales of vehicles, along with multiple distinct performance obligations within each sale of vehicle, as well as other sales and services which are sold or provided separately which include providing non-warranty after-sales services, sales of charging stalls, goods from online store, parts and accessories, sales of Li Plus Membership, commission service and customer loyalty points offered to customers in connection with the purchase of vehicles.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Control of the goods and services is transferred over time if our performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

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Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made, or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Vehicle Sales

We generate revenues from sales of vehicles, together with a number of embedded products and services through a contract. There are multiple distinct performance obligations explicitly stated in the sales contracts including sales of vehicles, charging stalls, vehicle internet connection services, over the air upgrades, or OTA upgrades, Li Plus Membership, certain products and initial owner extended warranty.

The revenue for sales of the vehicles, charging stalls and certain products are recognized at a point in time when the control is transferred to the customer. For the vehicle internet connection service and OTA upgrades, we recognize the revenue using a straight line method over the service period. As for the initial owner extended warranty, we recognize the revenue over time based on a straight line method over the extended warranty period initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available.

We record a contract liability as deferred revenue regarding the unperformed obligations when cash received.

After - Sales Services

We also provide the after - sales repair and maintenance services and the revenues are recognized at a point in time when the relevant service is delivered.

Sales of Charging Stalls, Goods from Online Store, Parts and Accessories

We sell charging stalls and goods from online store, parts and accessories along with vehicle sales or separately. The revenue are recognized at a point in time when the charging stalls are installed and goods, parts and accessories are delivered to the customer.

Sales of Li Plus Membership

We also sell the Li Plus Membership to enrich the ownership experience of customers. Total Li Plus Membership fee is allocated to each performance obligation, mainly including after-sales repair and maintenance services and vehicle internet connection services, based on the relative estimated standalone selling price. And the revenue for each performance obligation is recognized either over the service period or at a point in time when the relevant goods or service is delivered or when the membership is expired, whichever is earlier.

Commission service

We also facilitate customer use of auto-financing products and services offered by banks and insurance companies. The commission service fee is recognized at a point in time when the relevant facilitation service is rendered.

Customer Loyalty Points

We offer customer loyalty points, which can be used in our online store to redeem our merchandise or services. We determine the value of each customer loyalty point based on cost of our merchandise or services that can be obtained through redemption of customer loyalty points.

We conclude that the customer loyalty points offered to customers in connection with the purchase of vehicles is a material right and is considered as a separate performance obligation. The amount allocated to the customer loyalty points as separate performance obligation is recorded as deferred revenue and revenue is recognized when the customer loyalty points are used or expired.

To encourage user engagement and generate market awareness, customers or users of our mobile application can also obtain customer loyalty points through referring new customers to purchase the vehicles. We account for such points as selling and marketing expenses with a corresponding liability recorded under accruals and other current liabilities upon the points offering.

Practical Expedients and Exemptions

We follow the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes certain services, including lifetime roadside assistance, are not material performance obligations considering these services are not critical items.

Considering the result of the qualitative assessment and the quantitative estimate, we conclude not to assess whether promises are performance obligations if they are immaterial in the context of the contract and the relative stand-alone fair value individually and in aggregate is immaterial to reported consolidated results.

Product Warranties

We generally provide product warranties on vehicles based on the contracts with our customers at the time of sale of vehicles. We accrue a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimates of projected costs to repair or replace items under the warranties and for recalls when identified. These estimates are made primarily based on actual claims incurred to date and the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued and other current liabilities while the remaining balance is included within other non-current liabilities in the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive (loss)/income. We reevaluate the adequacy of the warranty accrual on a regular basis.

We recognize the benefit from a recovery of the costs associated with the warranty when specifics of the recovery have been agreed with our suppliers and the amount of the recovery is virtually certain.

We do not consider standard warranty as being a separate performance obligation as it is intended to provide assurance that a product complies with agreed-upon specifications and is not viewed as a distinct obligation. Accordingly, standard warranty is accounted for in accordance with ASC 460, Guarantees. We also provide extended warranty for certain vehicle. The extended warranty is an incremental service offered to customers and is considered a separate performance obligation distinct from other promises and is accounted for in accordance with ASC 606, Revenue from Contracts with Customers.

In November 2025, we initiated a voluntary recall of 11,411 units of the 2024 Li MEGA. In addition to product warranties, we recognized the estimated costs of the recall in 2025.

Impairment of Long-Lived Assets and Intangible Assets

We evaluate property, plant and equipment and intangible assets with definite lives for impairment, whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate the carrying value of an asset (or asset group) may not be recoverable in accordance with ASC 360, Property, Plant and Equipment. We measure the carrying amount of long-lived assets against the estimated undiscounted future cash flows associated with it. An impairment exists when the estimated undiscounted future cash flows are less than the carrying value of the asset (or asset group) being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset (or asset group) exceeds its fair value. No impairment loss of long-lived assets was recognized for the years ended December 31, 2023, 2024 and 2025.

Intangible assets with indefinite lives are tested for impairment at least annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the assets are impaired in accordance with ASC 350, Intangibles—Goodwill and Other. We first perform a qualitative assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of an indefinite-lived intangible asset. If after performing the qualitative assessment, we determine that it is more likely than not that the indefinite-lived intangible asset is impaired, we calculate the fair value of the intangible asset using a discounted cash flow method and perform the quantitative impairment test by comparing the fair value of the asset with its carrying amount. Inherent in our development of cash flow projections are highly subjective assumptions and estimates derived from a review of our operating results, business plan forecasts, expected growth rates, and cost of capital, similar to those a market participant would use to assess fair value. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, we recognize an impairment loss in an amount equal to that excess. No impairment loss of indefinite-lived intangible assets was recognized for the years ended December 31, 2023, 2024 and 2025.

Consolidation of VIEs

Subsidiaries are those entities in which we, directly or indirectly, control more than half of the voting power, have the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or have the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which we, or any of our subsidiaries, through contractual arrangements, has established a controlling financial interest (as defined in ASC 810, Consolidation) and is able to direct the activities and derive the economic benefits of the entity. Accordingly, the Company is considered the primary beneficiary of each VIE and consolidates each entity in accordance with U.S. GAAP.

Critical judgements have been involved in determining whether a legal entity is a consolidated affiliated entity, and must be reconsidered as a matter of course, upon the occurrence of certain events as provided for within ASC 810-10-35-4. In this regard, we will continue to monitor and assess whether we remain primary beneficiaries of these entities and should continue to consolidate each prospectively. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure.”

All significant intercompany balances and transactions within the group have been eliminated upon consolidation.

Share-Based Compensation

We grant share options and restricted share units to eligible employees, directors and consultants and accounts for share-based compensation in accordance with ASC 718, Compensation—Stock Compensation.

Employees’ share-based compensation awards granted with service conditions and the performance condition, are measured at the grant date fair value. Employees’ share-based compensation awards granted with only service conditions are recognized as expenses over the vesting period, using the graded vesting method, net of estimated forfeitures. For performance-based awards, share-based compensation expense is recognized over the expected performance achievement period as the achievement of each performance achievement becomes probable.

A change in the terms or conditions of a share-based award, or cancellation of a share-based award accompanied by the concurrent grant of a replacement award is accounted for as a modification (that is, an exchange of the original award for a new award), unless the award's fair value, vesting conditions, and classification as an equity instrument are the same as immediately before and after the change. The compensation costs associated with the modified awards are recognized if either the original vesting condition or the new vesting condition is achieved. We recognize incremental compensation cost for an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

The binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rates and expected dividends.

Fair Value of Options

For share options for the purchase of ordinary shares granted to employees, directors and consultants classified as equity awards, the related share-based compensation expenses are measured based on the fair value of the awards on the grant date, which is calculated using the binomial option pricing model. The determination of the fair value is affected by the share price as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee share option exercise behavior, risk-free interest rates and expected dividends. The fair value of the ordinary shares is assessed using the income approach/discounted cash flow method, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant.

No share options were granted under the 2019 Plan and 2020 Plan in 2023, 2024 and 2025.

Income Taxes

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. We account for income taxes under the asset and liability method in accordance with ASC 740, Income Tax. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive (loss)/income as "income tax benefit/(expense)" in the period of change. The determination of the realizability of deferred tax assets requires judgment in assessing the likelihood of future tax consequences. A number of factors are evaluated in considering whether there is evidence that it is more likely than not that the deferred tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, and tax planning strategies. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

We record liabilities related to uncertain tax positions when, despite our belief that our tax return positions are supportable, we believe that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense. We did not recognize uncertain tax positions as of December 31, 2024 and 2025.

Recently Issued Accounting Pronouncements

A list of recently issued accounting pronouncements that are relevant to us is included in Note 3 to our audited consolidated financial statements included elsewhere in this annual report.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands)			
Revenues:				
—Vehicle sales	120,294,667	138,538,092	106,683,100	15,255,480
—Other sales and services	3,556,665	5,921,854	5,629,411	804,995
Total revenues	123,851,332	144,459,946	112,312,511	16,060,475
Cost of sales ⁽¹⁾ :				
—Vehicle sales	(94,482,347)	(111,121,036)	(87,591,473)	(12,525,414)
—Other sales and services	(1,872,234)	(3,682,772)	(3,735,980)	(534,238)
Total cost of sales	(96,354,581)	(114,803,808)	(91,327,453)	(13,059,652)
Gross profit	27,496,751	29,656,138	20,985,058	3,000,823
Operating expenses:				
—Research and development ⁽¹⁾	(10,586,129)	(11,071,358)	(11,314,949)	(1,618,016)
—Selling, general and administrative ⁽¹⁾	(9,767,955)	(12,229,323)	(10,664,857)	(1,525,055)
—Other operating income, net	264,210	663,657	473,631	67,728
Total operating expenses	(20,089,874)	(22,637,024)	(21,506,175)	(3,075,343)
Income/(Loss) from operations	7,406,877	7,019,114	(521,117)	(74,520)
Other (expense)/income:				
Interest expense	(86,251)	(187,755)	(168,078)	(24,035)
Interest income and investment income, net	2,082,948	1,819,964	1,918,883	274,397
Others, net	1,048,189	664,301	67,447	9,645
Income before income tax	10,451,763	9,315,624	1,297,135	185,487
Income tax benefit/(expense)	1,357,362	(1,270,374)	(157,707)	(22,552)
Net income	11,809,125	8,045,250	1,139,428	162,935

Note:

(1) Share-based compensation expenses were allocated as follows:

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands)			
Cost of sales	46,631	39,728	35,996	5,147
Research and development expenses	1,552,421	1,257,921	782,917	111,956
Selling, general and administrative expenses	779,637	1,333,256	438,841	62,753
Total	2,378,689	2,630,905	1,257,754	179,856

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

Revenues

Our total revenues decreased from RMB144.5 billion in 2024 to RMB112.3 billion (US\$16.1 billion) in 2025, primarily due to decrease in revenues from vehicle sales.

Revenues from vehicle sales decreased from RMB138.5 billion in 2024 to RMB106.7 billion (US\$15.3 billion) in 2025, primarily attributable to the decrease in vehicle deliveries from 500,508 vehicles in 2024 to 406,343 vehicles in 2025.

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Revenues from other sales and services remained relatively stable at RMB5.6 billion (US\$805.0 million) in 2025, compared with RMB5.9 billion in 2024.

Cost of Sales

Our cost of sales decreased from RMB114.8 billion in 2024 to RMB91.3 billion (US\$13.1 billion) in 2025, mainly attributable to the decrease in vehicle deliveries.

Gross Profit

As a result of the foregoing, we generated gross profit of RMB21.0 billion (US\$3.0 billion) in 2025, compared with RMB29.7 billion in 2024.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB11.3 billion (US\$1.6 billion) in 2025, compared with RMB11.1 billion in 2024.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses decreased from RMB12.2 billion in 2024 to RMB10.7 billion (US\$1.5 billion) in 2025, primarily attributable to due to decreased employee compensation associated with the recognition of share-based compensation expenses regarding the chief executive officer's performance-based awards in 2024.

Income/(Loss) from Operations

As a result of the foregoing, we recorded loss from operations of RMB521.1 million (US\$74.5 million) in 2025, compared with income from operations of RMB7.0 billion in 2024. Operating margin was negative 0.5% in 2025, compared with 4.9% in 2024.

Interest Income and Investment Income, Net

Our interest income and investment income, net increased from RMB1.8 billion in 2024 to RMB1.9 billion (US\$274.4 million) in 2025, primarily attributable to the fair value change of equity investments and investment income from financial instruments, partially offset by decrease in interest income.

Others, Net

Our others, net decreased from RMB664.3 million in 2024 to RMB67.4 million (US\$9.6 million) in 2025.

Income Tax Expense

We had income tax expense of RMB157.7 million (US\$22.6 million) in 2025, compared with income tax expense of RMB1.3 billion in 2024, primarily due to the decrease in income before income tax.

Net Income

As a result of the foregoing, we recorded net income of RMB1.1 billion (US\$162.9 million) in 2025, compared with net income of RMB8.0 billion in 2024.

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

Revenues

Our total revenues increased from RMB123.9 billion in 2023 to RMB144.5 billion in 2024, primarily due to increase in revenues from vehicle sales.

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Revenues from vehicle sales increased from RMB120.3 billion in 2023 to RMB138.5 billion in 2024, primarily attributable to the increased deliveries of 500,508 vehicles in 2024, compared with 376,030 in 2023, partially offset by the lower average selling price mainly due to different product mix and changes in pricing strategy.

Revenues from other sales and services increased from RMB3.6 billion in 2023 to RMB5.9 billion in 2024, primarily attributable to the increased provision of services and sales of accessories, which is in line with higher accumulated vehicle sales.

Cost of Sales

Our cost of sales increased from RMB96.4 billion in 2023 to RMB114.8 billion in 2024, which was primarily due to the increase in vehicle deliveries, partially offset by the lower average cost of sales due to different product mix and cost reduction.

Gross Profit

As a result of the foregoing, we generated gross profit of RMB29.7 billion in 2024, compared with RMB27.5 billion in 2023.

Research and Development Expenses

Our research and development expenses increased from RMB10.6 billion in 2023 to RMB11.1 billion in 2024, primarily attributable to increased expenses to support our expanding product portfolios and technologies, and increased employee compensation.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses increased from RMB9.8 billion in 2023 to RMB12.2 billion in 2024, primarily attributable to increased employee compensation associated with growth in number of staff and the recognition of share-based compensation expenses regarding the chief executive officer's performance-based awards in 2024, as well as increased rental and other expenses associated with the expansion of sales and servicing network.

Income from Operations

As a result of the foregoing, income from operations was RMB7.0 billion in 2024, compared with income from operations of RMB7.4 billion in 2023. Operating margin was 4.9% in 2024, compared with 6.0% in 2023.

Interest Income and Investment Income, Net

Our interest income and investment income, net decreased from RMB2.1 billion in 2023 to RMB1.8 billion in 2024, primarily attributable to the fair value change of equity investments, partially offset by increase in interest income.

Others, Net

Our others, net decreased from RMB1.0 billion in 2023 to RMB664.3 million in 2024.

Income Tax Benefit/(Expense)

We had income tax expense of RMB1.3 billion in 2024, compared with income tax benefit of RMB1.4 billion in 2023, primarily attributable to the non-cash tax benefit of RMB2.0 billion being recorded in 2023 for the release of valuation allowance on certain deferred tax assets.

Net Income

As a result of the foregoing, we recorded net income of RMB8.0 billion in 2024, compared with net income of RMB11.8 billion in 2023.

B. Liquidity and Capital Resources

As of December 31, 2025, we had RMB101.2 billion (US\$14.5 billion) in cash and cash equivalents, restricted cash, time deposits, short-term investments, and long-term time deposits and financial instruments included in long-term investments. Our cash and cash equivalents primarily consist of cash on hand, time deposits and highly-liquid investments placed with banks or other financial institutions, which are unrestricted for withdrawal and use and have original maturities of three months or less.

Our cash used in operating activities in 2025 was RMB8.6 billion (US\$1.2 billion), compared with cash provided by operating activities of RMB50.7 billion and RMB15.9 billion in 2023 and 2024, respectively. We believe that our current cash and cash equivalents and our anticipated cash flows from operations will be sufficient to meet our anticipated working capital requirements, capital expenditures and debt repayment obligations for at least the next 12 months. We may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increasing fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

The PRC government imposes regulations on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and the VIEs to pay off their respective debt in a currency other than Renminbi owned to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Exchange.”

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands)			
Summary Consolidated Cash Flow Data				
Net cash provided by/(used in) operating activities	50,693,521	15,933,160	(8,611,397)	(1,231,413)
Net cash used in investing activities	(12,068)	(41,137,169)	(703,125)	(100,546)
Net cash provided by/(used in) financing activities	185,385	(415,648)	767,402	109,737
Effects of exchange rate changes on cash, cash equivalents and restricted cash	44,513	198,120	(452,773)	(64,746)
Net change in cash, cash equivalents, and restricted cash	50,911,351	(25,421,537)	(8,999,893)	(1,286,968)
Cash, cash equivalents, and restricted cash at the beginning of the year	40,418,158	91,329,509	65,907,972	9,424,715
Cash, cash equivalents, and restricted cash at the end of the year	91,329,509	65,907,972	56,908,079	8,137,747

Operating Activities

Net cash used in operating activities for the year ended December 31, 2025 was RMB8.6 billion (US\$1.2 billion). The difference between our net cash used in operating activities and our net income of RMB1.1 billion (US\$162.9 million) was primarily attributable to (i) a net change in operating assets and liabilities of RMB15.1 billion (US\$2.2 billion), which was primarily the result of (x) a decrease in trade and notes payable of RMB13.0 billion (US\$1.9 billion) mainly consisting of trade payable for raw materials, and (y) an increase in inventories of RMB2.6 billion (US\$368.8 million), partially offset by (ii) non-cash items of RMB5.4 billion (US\$768.6 million), which primarily consisted of depreciation and amortization, share-based compensation expenses, deferred income tax, inventory write-downs and losses on purchase commitments relating to inventory.

Net cash provided by operating activities for the year ended December 31, 2024 was RMB15.9 billion. The difference between our net cash provided by operating activities and our net income of RMB8.0 billion was primarily attributable to (i) non-cash items of RMB5.8 billion, which primarily consisted of depreciation and amortization, share-based compensation expenses, inventory write-downs and losses on purchase commitments relating to inventory, and interest and investment income, and (ii) a net change in operating assets and liabilities of RMB2.1 billion. The net change in operating assets and liabilities was primarily the result of (i) an increase in trade and notes payable of RMB2.2 billion mainly consisting of trade payable for raw materials, (ii) an increase in other non-current liabilities of RMB1.7 billion mainly consisting of accrued warranty and deferred government grants, and (iii) an increase in accruals and other current liabilities of RMB1.5 billion, which mainly includes salaries and benefits payables, tax payable, payable for research and development expenses, payables for logistics expenses, and accrued costs of purchase commitments relating to inventory and technical authorization fee, partially offset by (x) an increase in inventories of RMB3.1 billion, (y) an increase in prepayments and other current assets of RMB238.6 million and (z) a decrease in deferred revenue of RMB220.7 million.

Net cash provided by operating activities for the year ended December 31, 2023 was RMB50.7 billion. The difference between our net cash provided by operating activities and our net income of RMB11.8 billion was primarily attributable to (i) non-cash items of RMB2.3 billion, which primarily consisted of share-based compensation expenses, depreciation and amortization, deferred income tax and inventory write-downs and losses on purchase commitments relating to inventory, and loss on inventory obsolescence, and (ii) a net change in operating assets and liabilities of RMB36.6 billion. The net change in operating assets and liabilities was primarily the result of (i) an increase in trade and notes payable of RMB31.8 billion mainly consisting of trade payable for raw materials and (ii) an increase in accruals and other current liabilities of RMB5.3 billion, which mainly includes salaries and benefits payables, tax payables, payable for research and development expenses, payables for logistics expenses, and accrued costs of purchase commitments relating to inventory, and (iii) an increase in other non-current liabilities of RMB1.6 billion mainly consisting of accrued warranty and deferred government grants, partially offset by (x) an increase in prepayments and other current assets of RMB2.4 billion and (y) an increase in inventories of RMB1.2 billion.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2025 was RMB703.1 million (US\$100.5 million). This was primarily attributable to purchase of property, plant and equipment and intangible assets of RMB4.2 billion (US\$601.4 million), partially offset by net redemption of time deposits and short-term investments of RMB2.1 billion (US\$305.3 million) and disposal of property, plant and equipment of RMB1.3 billion (US\$185.9 million).

Net cash used in investing activities for the year ended December 31, 2024 was RMB41.1 billion. This was primarily attributable to (i) net purchase of time deposits and short-term investments of RMB34.4 billion, (ii) purchase of property, plant and equipment and intangible assets of RMB7.7 billion.

Net cash used in investing activities for the year ended December 31, 2023 was RMB12.1 million. This was primarily attributable to (i) purchase of property, plant and equipment and intangible assets of RMB6.5 billion, (ii) our net investment in long-term investments of RMB198.2 million, partially offset by our net redemption of time deposits and short-term investments of RMB6.4 billion.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2025 was RMB767.4 million (US\$109.7 million), primarily attributable to net proceeds of RMB1.4 billion (US\$194.0 million) from the borrowings comprised of secured borrowings and credit guaranteed borrowings, partially offset by repayment of principal on finance lease obligation of RMB664.0 million (US\$95.0 million).

Net cash used in financing activities for the year ended December 31, 2024 was RMB415.6 million, primarily attributable to net repayments of borrowings of RMB524.9 million comprised of unsecured borrowings and credit guaranteed borrowings, partially offset by proceeds from debt from third party investors of RMB94.6 million.

Net cash provided by financing activities for the year ended December 31, 2023 was RMB185.4 million, primarily attributable to net proceeds of RMB1.2 billion from share issuance through our at-the-market equity offering program, partially offset by net payments of RMB1.0 billion of the borrowings comprised of secured borrowings and credit guaranteed borrowings.

Material Cash Requirements

Our material cash requirements as of December 31, 2025 and any subsequent interim period primarily include the cash needs in our business operations, contractual obligations, and capital expenditures.

Contractual Obligations

The following table sets forth our contractual obligations by specified categories as of December 31, 2025.

	Payment due by period				
	Total	Less than One Year	1-3 Years	3-5 Years	Over 5 Years
Capital commitments ⁽¹⁾	6,320,465	6,301,199	19,266	—	—
Purchase obligations ⁽²⁾	7,303,842	7,165,992	137,850	—	—
Short-term and long-term borrowings	9,558,196	235,379	6,736,449	930,342	1,656,026
Operating lease liabilities	8,981,922	1,944,216	2,936,603	1,913,633	2,187,470
Finance lease liabilities	408,642	—	408,642	—	—
Total	32,573,067	15,646,786	10,238,810	2,843,975	3,843,496

(1) Our capital commitments primarily relate to commitments on construction and purchase of production facilities, equipment and tooling.

(2) Our purchase obligations primarily relate to commitments on purchase of raw materials.

Capital Expenditures

Our capital expenditures were RMB6.5 billion, RMB7.7 billion and RMB4.2 billion (US\$601.4 million) in 2023, 2024 and 2025, respectively. In these periods, our capital expenditures were primarily used for the acquisition of factory buildings, equipment, tooling and leasehold improvements mainly for retail stores and delivery and servicing centers and charging stations. We plan to continue to incur capital expenditures in the future to meet our business growth.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantee as of December 31, 2025.

Holding Company Structure

Li Auto Inc. is a holding company with no material operations of its own. We conduct our operations through our PRC subsidiaries and the VIEs and their subsidiaries in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under the PRC law, each of our subsidiaries and the VIEs in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds and staff bonus and welfare funds at its discretion, and each of the VIEs may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by SAFE. Our PRC subsidiaries have not paid dividends and will not be able to pay dividends until they generate accumulated profits and meet the requirements for statutory reserve funds.

C. *Research and Development, Patents and Licenses, etc.*

See “Item 4. Information on the Company—B. Business Overview—Research and Development” And “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. *Trend Information*

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2025 to December 31, 2025 that are reasonably likely to have a material adverse effect on our total revenues, profitability, liquidity, or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. *Critical Accounting Estimates*

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenue and expenses during the reported period. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see Note 2 to our consolidated financial statements included elsewhere in this annual report.

Product warranties

We accrue a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties and recalls when identified. These estimates are made primarily based on actual claims incurred to date and the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given the our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accruals and other current liabilities while the remaining balance is included within other non-current liabilities in the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive income. We reevaluate the adequacy of the warranty accrual on a regular basis.

When our assumptions relating to the estimates of the projected costs to repair or replace items under warranties decreased/increased by 5% while holding all other assumptions constant, there would be no significant impact to our consolidated results of operations.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity, or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk, or credit support to us or engages in leasing, hedging, or product development services with us.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management**

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Xiang Li	44	Chairman and Chief Executive Officer
Tie Li	48	Director and Chief Financial Officer
Donghui Ma	51	Director and President
Yan Xie	47	Chief Technology Officer
Xing Wang	47	Director
Zheng Fan	47	Independent Director
Xing Xiao	55	Independent Director
Hongqiang Zhao	49	Independent Director
Zhenyu Jiang	52	Independent Director

Xiang Li is our founder and has served as our chairman and chief executive officer since our inception. Mr. Li has over 25 years of founding and managing internet technology companies in China, including approximately 20 years of experience focusing on the automotive industry. Mr. Li is the founder of Autohome Inc. (NYSE: ATHM; HKEX stock code: 2518) (“Autohome”), and served as its president from 1999 to June 2015. Autohome is the leading online destination for automobile consumers in China. At Autohome, Mr. Li was primarily responsible for its overall strategy, content creation and product development. From May 2015 to September 2018, Mr. Li served as a director of NIO Inc. (NYSE: NIO; HKEX stock code: 9866). Mr. Li has served as an independent director of Beijing Siwei Tuxin Technology Co., Ltd. (Shenzhen Stock Exchange stock code: 002405) from May 2017 to December 2021, and is also on the board of directors of several private companies.

Tie Li has served as our director and chief financial officer since July 2016. Prior to joining us, Mr. Li worked at Autohome from March 2008 to June 2016 with his last position as a vice president of Autohome. Before joining Autohome, Mr. Li worked at PricewaterhouseCoopers Beijing Office from August 2002 to February 2008. Mr. Li has served as an independent non-executive director of Gushengtang Holdings Limited (HKEX stock code: 2273) since November 2021. Mr. Li completed the Senior Executive Leadership Program held by Harvard Business School in July 2019. He received his bachelor’s degree in accounting and master’s degree in management from Tsinghua University in July 1999 and June 2002, respectively.

Donghui Ma has served as our director and president since January 1, 2023. Previously, he served as our chief engineer since September 2015. Mr. Ma worked as the dean of research institute at SANY Heavy Vehicle Body Co., Ltd. since June 2011. Prior to that, Mr. Ma worked at IAT Automobile Technology Co., Ltd. and Jianshi International Automotive Design (Beijing) Co., Ltd. Mr. Ma received a bachelor’s degree in power engineering from Wuhan University of Technology in 1995 and a master’s degree in mechanical manufacturing and automation from Shanghai University in 2003.

Yan Xie has served as our chief technology officer since December 12, 2022. Previously, he served as our senior vice president since July 18, 2022. Mr. Xie has extensive work experience in the technology sector. Prior to joining us, Mr. Xie served as a vice president of software engineering at the consumer business group and the head of the device OS department at Huawei Technologies for three years, chief architect of AliOS system, and a general manager at Alibaba Group Holding Limited (NYSE: BABA and HKEX stock code: 9988) for five years, and worked at Intel Corporation for six years. Mr. Xie received a bachelor’s degree in information electrical engineering from Zhejiang University in 2001 and a master’s degree in computer engineering from the University of Delaware in 2003.

Xing Wang has served as our director since July 2019 and, for purposes of the Hong Kong Listing Rules, a non-executive director. Mr. Wang is a co-founder, an executive director, the chief executive officer and chairman of the board of Meituan (HKEX stock code: 3690), a leading e-commerce platform for goods services in China which was listed on the Main Board of the Stock Exchange in September 2018. Mr. Wang is responsible for the overall strategic planning, business direction and management of Meituan. He also holds directorship in various subsidiaries of Meituan. Prior to founding *meituan.com* in 2010, he co-founded *xiaonei.com*, China's first college social network website, in 2005. *xiaonei.com* was later renamed as Renren Inc. (NYSE: RENN). Mr. Wang also co-founded *fanfou.com*, a social media company specializing in microblogging, in May 2007 and was responsible for the management and operation of this company from May 2007 to July 2009. Mr. Wang serves as an independent director of Taikang Insurance Group Co., Ltd since March 2025. Mr. Wang received his bachelor's degree in electronic engineering from Tsinghua University in July 2001 and his master's degree in electrical engineering from University of Delaware in January 2005.

Zheng Fan has served as our independent director since October 2020 and, for purposes of the Hong Kong Listing Rules, a non-executive director. Prior to joining us, Mr. Fan served as co-founder and vice president of Autohome Inc. from June 1999 to October 2016. At Autohome, Mr. Fan was primarily responsible for its technological operations. Mr. Fan graduated with a college diploma in computer science from Hebei University of Science and Technology in July 2000.

Xing Xiao has served as our independent director since August 2021 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Prof. Xiao is a professor and the Head of the Accounting Department of the School of Economics and Management of Tsinghua University, where she has taught classes since April 1997. During her time at the Tsinghua University, Prof. Xiao visited Harvard University, Massachusetts Institute of Technology, and University of Wisconsin as a senior visiting scholar and received the Fulbright Scholar award in 2011. Prof. Xiao's main research areas are corporate governance, financial management, financial statement analysis and financial accounting. Prof. Xiao has served as an independent director of Mango Excellent Media Co., Ltd. (Shenzhen Stock Exchange stock code: 300413) from January 2019 to June 2025; she also served as an independent non-executive director of Kuaishou Technology (HKEX stock code: 01024) from September 2023 to April 2025; an independent director of Bloomage Biotechnology Corporation Limited (Shanghai Stock Exchange stock code: 688363) from March 2019 to April 2022; an independent non-executive director of Agricultural Bank of China Limited (Shanghai Stock Exchange stock code: 601288 and HKEX stock code: 1288) from March 2015 to November 2021; and an independent director of Aixin Life Co., Ltd. since August 2017. Prof. Xiao accumulated corporate governance knowledge and experience through her academic research and the foregoing directorships. Prof. Xiao received a bachelor's degree in mechanical engineering and a second bachelor's degree in business management from Tsinghua University in July 1994 and a master's degree in industrial foreign trade (accounting) from Tsinghua University in March 1997. Prof. Xiao obtained her doctorate degree in accounting from Tsinghua University in January 2004.

Hongqiang Zhao has served as our independent director since July 2020 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Mr. Zhao serves as an independent non-executive director of Gogox Holdings Limited (HKEX stock code: 2246) on August 2021. Gogox Holdings Limited has been listed on the Hong Kong Stock Exchange since June 2022. Mr. Zhao also currently serves as an independent director of HUYA Inc. (NYSE: HUYA), a leading China-based game live streaming company since May 2018. Besides, Mr. Zhao serves as an independent non-executive director of YSB Inc. (HKEX stock code: 9885) since June 2023 and as an independent non-executive director of Beisen Holding Limited (HKEX stock code: 9669) since March 2023. Previously, Mr. Zhao served as chief financial officer of NetEase Lede Technology Co., Ltd. Beijing Branch from October 2014. Mr. Zhao previously held the position of assistant chief auditor at the PCAOB, a regulatory oversight agency under the SEC. He was also employed with KPMG LLP in the United States from August 2001 to February 2009, with the most recent position being manager audit. Mr. Zhao also served as an executive director and chief financial officer of Bairong Inc. (HKEX stock code: 6608), a leading big-data application platform in financial sector in China, from June 2018 to May 2023, where he is responsible for the overall compliance and risk management of the company. Mr. Zhao accumulated corporate governance and risk management knowledge and experience through his aforementioned positions and directorships at Bairong Inc., NetEase Lede Technology Co., Ltd. Beijing Branch and the Public Company Accounting Oversight Board of the SEC. Mr. Zhao received a bachelor's degree in accounting from Tsinghua University in July 1999 and a master's degree in accountancy from the George Washington University in May 2001.

Zhenyu Jiang has served as an independent director since August 2021 and, for purposes of the Hong Kong Listing Rules, an independent non-executive director. Mr. Jiang has more than 15 years of experience in financial management and legal practices. Mr. Jiang has served as the chief financial officer and a joint company secretary of Dida Inc. since May 2020 and September 2020, respectively. At Dida Inc., Mr. Jiang is primarily responsible for finance, investments and capital market activities and risk management and internal control related matters. Prior to joining Dida Inc., Mr. Jiang served as the chief financial officer of Cheetah Mobile Inc., a company listed on the New York Stock Exchange (NYSE: CMCM), from April 2017 to January 2020, also responsible for risk management and internal control. Prior to that, Mr. Jiang founded and operated a startup tech company. From February 2014 to October 2015, Mr. Jiang served as the chief financial officer at 9F Inc., a company listed on Nasdaq (Nasdaq: JFU). From September 2008 to March 2014, he worked as an associate at Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Jiang also served as an engineer at BorgWarner, Inc., a company listed on the New York Stock Exchange (NYSE: BWA) from January 2000 to July 2006. Mr. Jiang accumulated corporate governance knowledge and experience through his aforementioned senior management positions at Dida Inc., Cheetah Mobile Inc. and 9F Inc. Mr. Jiang graduated from Tsinghua University with a bachelor's degree and a master's degree in automotive engineering in July 1995 and June 1998, respectively. He further obtained a master's degree from Pennsylvania State University in December 1999 and a juris doctor degree from Cornell Law School in May 2008. Mr. Jiang qualified as a registered attorney at law in the State of New York in January 2009 and was also recognized as a chartered financial analyst by CFA Institute in the USA in April 2013.

B. Compensation

For the fiscal year ended December 31, 2025, we paid an aggregate of approximately RMB15.3 million (US\$2.2 million) in cash to our directors and executive officers as a group. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance, and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon three-month advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a three-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, users or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our Company.

Share Incentive Plans

2019 Share Incentive Plan

In July 2019, our board of directors and members approved the 2019 Plan to secure and retain the services of valuable employees, directors, or consultants and provide incentives for such persons to exert their best efforts for the success of our business. The maximum aggregate number of Class A ordinary shares which may be issued under the 2019 Plan is 141,083,452.

As of February 28, 2026, awards to purchase 59,891,996 Class A ordinary shares under the 2019 Plan had been granted and remain outstanding, excluding awards that were forfeited or cancelled after their grant date.

The following paragraphs describe the principal terms of the 2019 Plan.

Types of awards. The 2019 Plan permits the awards of options, restricted shares, restricted share unit awards and share appreciation rights or other types of awards approved by the board of directors.

Plan administration. Our board of directors or a committee of one or more members of the board of directors administers the 2019 Plan. The committee or the board of directors determines, among other things, the participants eligible to receive awards, the type or types of awards to be granted to each eligible participant, the number of awards to be granted to each eligible participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2019 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the option, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to employees, consultants and directors of our company.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the award agreement.

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant. In the case of an option granted to an employee who, immediately prior to the time the option is granted, owns stock representing more than 10% of the voting power of all classes of our stock or any parent or subsidiary of us, the term of option shall be no longer than five years from the date of grant.

Transfer restrictions. Awards may not be transferred in any manner by the eligible participant other than in accordance with the exceptions provided in the 2019 Plan, such as transfers to the immediate family members of the eligible participant, the holding companies controlled by the eligible participant or the eligible participant's immediate family members, or trusts established for the benefit of the eligible participant or the eligible employee's family members, or as approved by the plan administrator.

Termination and amendment of the 2019 Plan. Unless terminated earlier, the 2019 Plan has a term of ten years. The board of directors has the authority to terminate, amend, add to or delete any of the provisions of the plan, subject to the limitations of applicable laws. However, no termination, amendment or modification of the 2019 Plan may adversely affect in any material way any award previously granted pursuant to the 2019 Plan.

On June 15, 2025, we granted an aggregate of 1,975,900 restricted share units pursuant to the 2019 Plan to one Director and 142 employees. On December 15, 2025, we granted an aggregate of 10,789,040 restricted share units pursuant to the 2019 Plan to 1,053 employees.

The following table summarizes, as of March 18, 2026, the options and restricted share units granted under the 2019 Plan to certain of our directors and executive officers, excluding awards that were forfeited or cancelled after their grant date.

	Class A Ordinary Shares Underlying Awards Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Donghui Ma	10,000,000	0.10	12/1/2019	12/1/2029
	600,000	0.10	6/15/2023	N/A
	200,000	0.10	6/15/2025	N/A
Tie Li	10,000,000	0.10	12/1/2019	12/1/2029
Total	20,800,000			

As of February 28, 2026, awards to purchase 41,891,996 Class A ordinary shares of our company had been granted to other employees and remained outstanding, with an average weighted exercise price of US\$0.10 per share.

2020 Share Incentive Plan

In July 2020, our board of directors and members adopted the 2020 Plan to secure and retain the services of valuable employees, directors, or consultants and provide incentive for such persons to exert their best efforts for the success of our business. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2020 Plan is 165,696,625.

As of February 28, 2026, awards to purchase 18,762,326 Class A ordinary shares under the 2020 Plan had been granted and remain outstanding, excluding awards that were forfeited or cancelled after their grant date.

The following paragraphs describe the principal terms of the 2020 Plan.

Types of awards. The 2020 Plan permits the awards of options, restricted shares, and restricted share unit awards or other types of awards approved by the board of directors.

Plan administration. Our board of directors or a committee of one or more members of the board of directors administers the 2020 Plan. The committee or the board of directors determines, among other things, the participants eligible to receive awards, the type or types of awards to be granted to each eligible participant, the number of awards to be granted to each eligible participant, and the terms and conditions of each award grant.

Award agreement. Awards under the 2020 Plan are evidenced by an award agreement that set forth the terms, conditions, and limitations for each award, which may include the term of the award, the provisions applicable in the event the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel, or rescind the Award.

Eligibility. We may grant awards to directors, consultants, and employees of our company.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the award agreement.

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

Transfer restrictions. Awards may not be transferred in any manner by the eligible participant other than in accordance with the exceptions provided in the 2020 Plan, such as transfers to our company or a subsidiary of ours, transfers to the immediate family members of the participant by gift, the designation of a beneficiary to receive benefits if the participant dies, permitted transfers or exercises on behalf of the participant by the participant's duly authorized legal representative if the participant has suffered a disability, or, subject to the prior approval of the plan administrator or our executive officer or director authorized by the plan administrator, transfers to one or more natural persons who are the participant's family members or entities owned and controlled by the participant and/or the participant's family members, including but not limited to trusts or other entities whose beneficiaries or beneficial owners are the participant and/or the participant's family members, or to such other persons or entities as may be expressly approved by the plan administrator, pursuant to such conditions and procedures as the plan administrator may establish.

Termination and amendment of the 2020 Plan. Unless terminated earlier, the 2020 Plan has a term of ten years. Our board of directors has the authority to terminate, amend, add to, or delete any of the provisions of the plan, subject to the limitations of applicable laws. However, no termination, amendment, or modification of the 2020 Plan may adversely affect in any material way any award previously granted pursuant to the 2020 Plan.

The following table summarizes, as of March 18, 2026, the options and restricted share units granted under the 2020 Plan to certain of our directors and executive officers, excluding awards that were forfeited or cancelled after their grant date.

	Class A Ordinary Shares Underlying Awards Granted	Exercise Price (US\$/Share)	Date of Grant	Date of Expiration
Donghui Ma	1,000,000	0.10	1/1/2021	1/1/2031
Tie Li	2,000,000	0.10	1/1/2022	N/A
Yan Xie	1,000,000	0.10	1/1/2023	N/A
Total	4,000,000			

As of February 28, 2026, awards to purchase 16,962,326 Class A ordinary shares of our company had been granted to other employees and remained outstanding, with an average weighted exercise price of US\$0.10 per share.

2021 Share Incentive Plan

In March 2021, our board of directors adopted the 2021 Plan to secure and retain the services of valuable employees, directors, or consultants and provide incentive for such persons to exert their best efforts for the success of our business. The maximum aggregate number of Class B ordinary shares which may be issued pursuant to all awards under the 2021 Plan is 108,557,400.

The following paragraphs describe the principal terms of the 2021 Plan.

Types of awards. The 2021 Plan permits the awards of options, restricted shares, and restricted share unit awards or other types of awards approved by the board of directors.

Plan administration. Our board of directors or a committee of one or more members of the board of directors administers the 2021 Plan. The committee or the board of directors determines, among other things, the participants eligible to receive awards, the type or types of awards to be granted to each eligible participant, the number of awards to be granted to each eligible participant, and the terms and conditions of each award grant.

Award agreement. Awards under the 2021 Plan are evidenced by an award agreement that set forth the terms, conditions, and limitations for each award, which may include the term of the award, the provisions applicable in the event the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel, or rescind the Award.

Eligibility. We may grant awards to directors, consultants, and employees of our company.

Vesting schedule. In general, the plan administrator determines the vesting schedule, which is specified in the award agreement.

Exercise of options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, the maximum exercisable term is ten years from the date of grant.

Transfer restrictions. Awards may not be transferred in any manner by the eligible participant other than in accordance with the exceptions provided in the 2021 Plan, such as transfers to our company or a subsidiary of ours, transfers to the immediate family members of the participant by gift, the designation of a beneficiary to receive benefits if the participant dies, permitted transfers or exercises on behalf of the participant by the participant's duly authorized legal representative if the participant has suffered a disability, or transfers to one or more natural persons who are the participant's family members or entities owned and controlled by the participant and/or the participant's family members, including but not limited to the participant's personal special purpose vehicle, trusts or other entities whose beneficiaries or beneficial owners are the participant and/or the participant's family members, or to such other persons or entities as may be expressly approved by the plan administrator.

Termination and amendment of the 2021 Plan. Unless terminated earlier, the 2021 Plan has a term of ten years. Our board of directors has the authority to terminate, amend, add to, or delete any of the provisions of the plan, subject to the limitations of applicable laws. However, no termination, amendment, or modification of the 2021 Plan may adversely affect in any material way any award previously granted pursuant to the 2021 Plan.

On March 8, 2021, we granted options to purchase 108,557,400 Class B ordinary shares to Mr. Xiang Li, our chairman and chief executive officer. The exercise price of the options was US\$14.63 per share, or US\$29.26 per ADS, which was equal to the average closing price for our ADSs, as reported by the Nasdaq Global Select Market, of the thirty trading days immediately prior to the grant date adjusted for the ADS-to-ordinary-share ratio. The date of expiration for this grant is March 8, 2031.

The granted options are subject to performance-based vesting conditions. The granted options are divided into six equal tranches, or 18,092,900 each. The first tranche will become vested when the aggregate number of our vehicle deliveries in any 12 consecutive months exceeds 500,000. The second to sixth tranches will become vested when the aggregate number of our vehicle deliveries in any 12 consecutive months exceeds 1,000,000, 1,500,000, 2,000,000, 2,500,000 and 3,000,000, respectively.

On May 5, 2021, our board of directors approved to replace such options with the same number of restricted Class B ordinary shares under the same plan, all of which were vested upon grant on May 5, 2021, subject to certain undertakings of restrictions by Mr. Li based on certain performance conditions substantially similar to the vesting conditions of the options being replaced. These Class B ordinary shares were converted to Class A ordinary shares on a one-to-one basis immediately upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange.

C. Board Practices

Board of Directors

Our board of directors currently consists of eight directors. A director is not required to hold any shares in our company by way of qualification. Subject to the Nasdaq listing rules, the Hong Kong Listing Rules, and disqualification by the chairman of the relevant board meeting, a director may vote with respect to any contract, proposed contract or arrangement in which he is directly or indirectly interested, provided that (i) such director, if his or her interest in such contract or arrangement is material, has declared the nature of his or her interest at the earliest meeting of the board at which it is practicable for him or her to do so, either specifically or by way of a general notice and (ii) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. Unless permitted under the Hong Kong Listing Rules, a director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the directors in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates (or, if required by the Hong Kong Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). The directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property, and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any debt, liability, or obligation of the company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee, and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Xing Xiao, Hongqiang Zhao, and Zhenyu Jiang. Xing Xiao is the chairperson of our audit committee. We have determined that Xing Xiao, Hongqiang Zhao, and Zhenyu Jiang satisfy the "independence" requirements of Rule 5605(c)(2) of the Nasdaq Stock Market Rules and meet the independence standards under Rule 10A-3 under the Exchange Act, as amended. We have determined that each member of the audit committee qualifies as an "audit committee financial expert." The audit committee is also in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules, except for the terms of reference required by paragraph D.3.3 and D.3.7 of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is primarily responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;

- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and
- assuming other duties and responsibilities as required under the Nasdaq Stock Market Rules and the Hong Kong Listing Rules.

Compensation Committee. Our compensation committee consists of Hongqiang Zhao, Xiang Li, and Zhenyu Jiang. Hongqiang Zhao is the chairman of our compensation committee. We have determined that Hongqiang Zhao and Zhenyu Jiang satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The compensation committee is also in compliance with Rule 3.25 of the Hong Kong Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraph E.1.2 of the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is primarily responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements;
- selecting a compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management; and
- assuming other duties and responsibilities as required under the Nasdaq Stock Market Rules and the Hong Kong Listing Rules.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Zhenyu Jiang, Hongqiang Zhao and Xing Xiao. Zhenyu Jiang is the chairman of our nominating and corporate governance committee. We have determined that Zhenyu Jiang, Hongqiang Zhao, and Xing Xiao satisfy the “independence” requirements of Rule 5605(a)(2) of the Nasdaq Stock Market Rules. The nominating and corporate governance committee is also in compliance with the requirements in respect of nomination committees in the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules and with the requirements regarding corporate governance committees under Chapter 8A of the Hong Kong Listing Rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is primarily responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board;
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken; and
- assuming other duties and responsibilities as required under the Nasdaq Stock Market Rules and the Hong Kong Listing Rules.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than what may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. A shareholder may in certain circumstances have rights to damages if a duty owed by the directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our directors may be elected by an ordinary resolution of our shareholders. Each Class A ordinary share and each Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution approving the appointment, election or removal of any Independent Non-executive Director (as defined in our sixth amended and restated memorandum and articles of association). Alternatively, our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting appoint any person as a director to fill a casual vacancy on our board or as an addition to the existing board. Any director so appointed shall hold office only until the first annual general meeting of our company after his appointment and will then be eligible for re-election at that meeting. Our directors are not automatically subject to a term of office and hold office until such time as they are removed from office by an ordinary resolution of our shareholders. At every annual general meeting of our company, the Independent Non-Executive Directors for the time being will retire from office by rotation provided that every Independent Non-Executive Director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years. A retiring Independent Non-Executive Director will retain office until the close of the meeting at which he retires and will be eligible for re-election thereat. In addition, a director will cease to be a director if he (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind.; (iii) resigns his office by notice in writing; (iv) without special leave of absence from our board, is absent from meetings of our board for three consecutive meetings and our board resolves that his office be vacated; or (v) is removed from office pursuant to any other provision of our articles of association.

Our officers are appointed by and serve at the discretion of the board of directors, and may be removed by our board of directors.

Board Diversity Matrix

Board Diversity Matrix								
Country of Principal Executive Offices:	People’s Republic of China							
Foreign Private Issuer	Yes							
Disclosure Prohibited Under Home Country Law	No							
	As of February 28, 2025				As of February 28, 2026			
Total Number of Directors	8				8			
Gender Identity	Female	Male	Non-Binary	Did Not Disclose Gender	Female	Male	Non-Binary	Did Not Disclose Gender
Directors	1	7	N/A	N/A	1	7	N/A	N/A
Demographic Background								
Underrepresented Individual in Home Country Jurisdiction	1				1			
LGBTQ+	—				—			

D. Employees

As of December 31, 2023, 2024 and 2025, we had 31,591, 32,248 and 30,728 employees, respectively. A majority of our employees are based in China.

The following table sets forth the number of our employees by function as of December 31, 2025.

Function	Number of Employees	Percentage
Research and Development	6,041	19.7 %
Production	9,433	30.7 %
Sales	12,634	41.1 %
General and Administrative	2,620	8.5 %
Total	30,728	100.0 %

Our success depends on our ability to attract, retain, and motivate qualified employees. We offer employees competitive salaries, performance-based cash bonuses and equity-based incentives, comprehensive training and development programs, and other fringe benefits and incentives. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes or work stoppages. No collective bargaining agreement has been put in place.

As required by regulations in China, we participate in various government statutory employee benefit plans, including social insurance funds, namely, medical insurance, maternity insurance, workplace injury insurance, unemployment insurance, and pension benefits, as well as a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses, and certain allowances of our employees up to a maximum amount specified by the local government from time to time.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality agreements with all of our employees.

Human Capital Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff’s skill sets remain up-to-date and enable them to discover and meet our users’ needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence, and corruption.

We have in place an anti-bribery and anti-corruption policy to safeguard against any corruption within our company. The policy explains potential bribery and corruption conducts and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. We keep accurate books and records that reflect the substance of transactions and asset dispositions in reasonable detail. We specifically require that the employees submit all reimbursement requests related to entertainment related fee or gifts presented to third parties on behalf of the company in accordance with our expense expenditure policy, and specifically record the reason for the expenditure. These expenses should be recorded in the financial system and marked as promotional gift expenses or entertainment expenses as appropriate. We also require that the payment must not be used for any purpose other than those described in the supporting document. Misleading or incomplete entries in our books and records are not acceptable. The payment made in violation of the expense approval process, cash management system, or reimbursement system is strictly prohibited. Our compliance department is responsible for investigating the reported incidents and taking appropriate measures as necessary.

We conduct background check procedures before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery and anti-corruption policies. We also have regular trainings for employees regarding anti-bribery and anti-corruption policies to facilitate better implementation.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 18, 2026 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

The calculations in the shareholder table below are based on 1,780,698,926 Class A ordinary shares (excluding the 27,013,262 Class A ordinary shares issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans) and 355,812,080 Class B ordinary shares issued and outstanding as of March 18, 2026.

	Class A Ordinary Shares	Class B Ordinary Shares	Percentage of Beneficial Ownership [†]	Percentage of Voting Power ^{††}
Directors and Executive Officers:*				
Xiang Li ⁽¹⁾	108,557,400	355,812,080	21.7 %	68.7 % ⁽²⁾
Tie Li ⁽³⁾	24,373,299	—	1.1 %	0.5 %
Donghui Ma ⁽⁴⁾	9,407,680	—	0.4 %	0.2 %
Yan Xie	306,064	—	*	*
Xing Wang ⁽⁵⁾	367,974,877	—	17.2 %	6.9 %
Zheng Fan ⁽⁶⁾	83,078,960	—	3.9 %	1.6 %
Xing Xiao	—	—	—	—
Hongqiang Zhao	—	—	—	—
Zhenyu Jiang	—	—	—	—
All directors and executive officers as a group	593,698,280	355,812,080	44.1 %	77.5 %
Principal Shareholders:				
Amp Lee Ltd. ⁽¹⁾	108,557,400	355,812,080	21.7 %	68.7 % ⁽²⁾
Zijin Global Inc. ⁽⁵⁾	109,803,276	—	5.1 %	2.1 %
Inspired Elite Investments Limited ⁽⁷⁾	258,171,601	—	12.1 %	4.8 %

Notes:

* Less than 0.1%.

** Except for Xing Wang, Xing Xiao, Hongqiang Zhao and Zhenyu Jiang, the business address of our directors and executive officers is 11 Wenliang Street Shunyi District, Beijing 101399, People's Republic of China. The business address of Mr. Xing Wang is Block B&C, No.4 Wang Jing East Road, Chaoyang District, Beijing, China. The business address of Prof. Xing Xiao is School of Economics and Management, Tsinghua University, 30 Shuangqing Road, Haidian District, Beijing, China. The business address of Mr. Hongqiang Zhao is 3/F, Building A8, Qianhai Foundation Town, Nanshan District, Shenzhen, Guangdong, China. The business address of Mr. Zhenyu Jiang is Floor 1, Building 14, No. 36, Chuangyuan Road, Chaolai High-Technology Industry Zone, Chaoyang District, Beijing, China.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the total number of shares outstanding and the number of shares such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after March 18, 2026. The total number of ordinary shares outstanding as of March 18, 2026 is 2,136,511,006, being the sum of 1,780,698,926 Class A ordinary shares (excluding the 27,013,262 Class A ordinary shares issued to the depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans) and 355,812,080 Class B ordinary shares.

†† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. Each holder of Class B ordinary shares is entitled to ten votes per share, subject to certain conditions, and each holder of our Class A ordinary shares is entitled to one vote per share on all matters submitted to them for a vote. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Our Class B ordinary shares are convertible at any time by the holder thereof into Class A ordinary shares on a one-for-one basis.

- (1) Represents (i) 355,812,080 Class B ordinary shares held by Amp Lee Ltd. and (ii) 108,557,400 Class A ordinary shares held by Amp Lee Ltd. converted from Class B ordinary shares acquired pursuant to the 2021 Plan on May 5, 2021. Mr. Xiang Li has undertaken and covenanted that the 108,557,400 Class A ordinary shares are subject to certain restrictions on, among others, transfer, voting, and receiving dividends. The restrictions may be released in tranches when certain performance-based conditions are met and an award premium for each share is paid. Amp Lee Ltd. is a company incorporated in British Virgin Islands and is wholly owned by Cyric Point Enterprises Limited. The entire interest in Cyric Point Enterprises Limited is held by a trust that was established by Mr. Xiang Li (as the settlor) for the benefit of Mr. Xiang Li and his family. The registered address of Amp Lee Ltd. is P.O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands.
- (2) The shares Mr. Xiang Li, through Amp Lee Ltd., beneficially own represent 68.7% of the aggregate voting power of our total issued and outstanding ordinary shares assuming all the performance-based conditions are met and the award premium is fully paid in respect of the CEO Award Shares, or 66.6% of the aggregate voting power of our total issued and outstanding ordinary shares assuming the restrictions of none of the CEO Award Shares are released.
- (3) Represents 14,373,299 Class A ordinary shares held by Sea Wave Overseas Limited and 10,000,000 Class A ordinary shares that Mr. Tie Li may purchase upon exercise of options or vesting of RSUs within 60 days as of March 18, 2026. Sea Wave Overseas Limited is a company incorporated in British Virgin Islands and is wholly owned by Day Express Group Limited. The entire interest in Day Express Group Limited is held by a trust that was established by Mr. Tie Li (as the settlor) for the benefit of Mr. Tie Li and his family. The registered address of Sea Wave Overseas Limited is P.O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands.
- (4) Represents 407,680 Class A ordinary shares (in the form of ADSs) held by Mr. Donghui Ma and 9,000,000 Class A ordinary shares that Mr. Donghui Ma may purchase upon exercise of options or vesting of RSUs within 60 days as of March 18, 2026.

- (5) Represents 109,803,276 Class A ordinary shares (including in the form of ADSs) held by Zijin Global Inc. and 258,171,601 Class A ordinary shares held by Inspired Elite Investments Limited. Zijin Global Inc. is a company incorporated in British Virgin Islands. Zijin Global Inc. is wholly owned by Songtao Limited. The entire interest in Songtao Limited is held by a trust that was established by Mr. Xing Wang (as the settlor) for the benefit of Mr. Xing Wang and his family, with the trustee being TMF (Cayman) Ltd. The registered address of Zijin Global Inc. is Sertus Chambers, P.O. Box 905 Quastisky Building, Road Town, Tortola, British Virgin Islands. Inspire Elite Investments Limited is a company incorporated in British Virgin Islands. Inspired Elite Investments Limited is a wholly owned subsidiary of Meituan, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange of Hong Kong. Mr. Xing Wang is a director and the controlling shareholder of Meituan. The business address of Inspired Elite Investments Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The business address of Meituan is Block B&C, Hengjiweiye Building, No. 4 Wang Jing East Road, Chaoyang District, Beijing 100102, People's Republic of China.
- (6) Represents 83,078,960 Class A ordinary shares held by Rainbow Six Limited. Rainbow Six Limited is a company incorporated in British Virgin Islands and is wholly owned by Star Features Developments Limited. The entire interest in Star Features Developments Limited is held by a trust that was established by Mr. Zheng Fan (as the settlor) for the benefit of Mr. Zheng Fan and his family. The registered address of Rainbow Six Limited is Coastal Building, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
- (7) Represents 258,171,601 Class A ordinary shares held by Inspired Elite Investments Limited.

To our knowledge and based on our review of our register of shareholders as of March 18, 2026, 1,807,712,188 Class A ordinary shares, including Class A ordinary shares issued to our depository bank for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our share incentive plans, were held of record by one holder that reside in the United States, being Deutsche Bank Trust Company Americas, the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A ordinary shares in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

F. *Disclosure of a registrant's action to recover erroneously awarded compensation.*

None.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. *Major Shareholders*

See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

B. *Related Party Transactions*

Contractual Arrangements with the VIEs and Their Respective Shareholders

See "Item 4. Information on the Company—C. Organizational Structure."

Employment Agreements and Indemnification Agreements

See "Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Employment Agreements and Indemnification Agreements."

Investor Rights Agreement

We entered into an investor rights agreement with Inspired Elite Investments Limited, a wholly owned subsidiary of Meituan, on July 9, 2020. Most of the special rights under the investor rights agreement were terminated upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange. Inspired Elite Investments Limited and any other subsidiary of Meituan retain a right of first refusal in any transaction where we intend to effect a change of control of our company until such time as Inspired Elite Investments Limited and any other subsidiary of Meituan cease to beneficially own, in aggregate, at least 129,085,800 Class A ordinary shares.

Other Major Transactions with Related Parties

Our transactions with Meituan, a company controlled by one of our principal shareholders, included (i) purchase of food delivery service, amounting to RMB21.9 million, RMB81.1 million and RMB70.3 million for the years ended December 31, 2023, 2024 and 2025, respectively, and (ii) amounts due to Meituan of RMB9.0 million, RMB8.9 million and RMB14.8 million as of December 31, 2023, 2024 and 2025, respectively.

Our transactions with Foshan Che Yijia New Energy Technology Co., Ltd., an affiliate, included (i) purchase of goods, amounting to RMB53 thousand, RMB2.3 million and RMB22.9 million for the years ended December 31, 2023, 2024 and 2025, respectively, and (ii) amounts due to Foshan Che Yijia New Energy Technology Co., Ltd. of RMB56 thousand, RMB2.6 million and RMB11.8 million as of December 31, 2023, 2024 and 2025, respectively

Employment Agreements

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements.”

Share Incentive Plans

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plans.”

C. *Interests of Experts and Counsel*

Not applicable.

Item 8. FINANCIAL INFORMATION

A. *Consolidated Statements and Other Financial Information*

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

We have been and may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. We and certain of our officers and directors have been named as defendants in two putative securities class actions filed in May 2024 in the U.S. District Court for the Eastern District of New York, captioned *Banurs v. Li Auto Inc. et al*, No. 24-cv-03470 and *Chaudary v. Li Auto Inc. et al*, No. 1:24-cv-03725. Both cases were purportedly brought on behalf of a class of persons who claim to have suffered damages as a result of alleged misstatements and omissions in the Company’s SEC filings regarding its business outlook, in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On December 30, 2024, the Court appointed a lead plaintiff and ordered both cases be consolidated under the caption *Banurs v. Li Auto Inc. et al*, No. 24-cv-03470. On March 27, 2025, the plaintiffs filed a first complaint, followed by a second amended complaint on June 6, 2025. On July 2, 2025, the individual defendants accepted service of the second amended complaint. On July 21, 2025, the Company and the individual defendants filed a motion to dismiss the second amended complaint. Briefing on the motion to dismiss was completed on October 9, 2025, and a decision on the motion to dismiss is currently pending.

The case remains in its preliminary stage. We believe this case is without merit and intend to defend our position vigorously to the extent this case remains active, including any appeal of such lawsuit should our initial defense be unsuccessful. We are currently unable to estimate the possible outcome or loss or possible range of loss, if any, associated with the resolution of this lawsuit despite our belief that it is meritless. In the event that our initial defense is unsuccessful, we cannot assure you that we will prevail in any appeal. Any adverse outcome of this case, including any plaintiff’s appeal of a judgment, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and reputation. The litigation process may be costly and divert management’s attention from the day-to-day operations, all of which could harm our business.

For risks and uncertainties relating to the pending cases against us, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We and certain of our directors or officers have been named as defendants in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—We are or may be subject to risks associated with strategic alliances or acquisitions.”

Dividend Policy

Our board of directors has complete discretion on whether to pay dividends, subject to applicable laws. Our shareholders may also by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by our board of directors. Even if our board of directors decides to pay dividends on our Class A ordinary shares, the form, frequency, and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors our board of directors may deem relevant. We do not expect to pay any cash dividends in the foreseeable future.

If we pay any dividends on our Class A ordinary shares, we will pay those dividends that are payable in respect of the Class A ordinary shares underlying our ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to holders of ADSs in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

B. *Significant Changes*

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. *Offer and Listing Details*

The ADSs, each representing two Class A ordinary shares, have been listed on Nasdaq Global Select Market since July 30, 2020. The ADSs trade under the ticker symbol “LI.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since August 12, 2021 under the stock code “2015.”

B. *Plan of Distribution*

Not applicable.

C. *Markets*

The ADSs, each representing two Class A ordinary shares, have been listed on Nasdaq Global Select Market since July 30, 2020. The ADSs trade under the ticker symbol “LI.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since August 12, 2021 under the stock code “2015.”

D. *Selling Shareholders*

Not applicable.

E. *Dilution*

Not applicable.

F. *Expenses of the Issue*

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. *Share Capital*

Not applicable.

B. *Memorandum and Articles of Association*

Our sixth amended and restated memorandum and articles of association was adopted and became effective on May 31, 2023. The following are summaries of material provisions of our sixth amended and restated memorandum and articles of association and the Companies Act insofar as they relate to the material terms of our ordinary shares. The information set forth in Exhibit 2.6 to this Annual Report on Form 20-F is incorporated herein by reference.

Registered Office and Objects

Pursuant to Article 2 of our sixth amended and restated memorandum of association, our registered office is at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, or at such other location within the Cayman Islands as our directors may from time to time determine. Pursuant to Article 3 of our sixth amended and restated memorandum of association, the objects for which our company is established are unrestricted and our company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Directors

See “Item 6. Directors, Senior Management and Employees—C. Board Practices.”

Ordinary Shares

General. Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of our Class A ordinary shares and Class B ordinary shares will have the same rights except for voting and conversion rights. Our ordinary shares are issued in registered form and are issued when registered in our register of members. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B ordinary shares shall only be held by the Founder (as defined in our sixth amended and restated memorandum and articles of association) or a Director Holding Vehicle (as defined in our sixth amended and restated memorandum and articles of association). Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each Class B ordinary share shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events: (a) the death of the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the death of the Founder); (b) the holder of such Class B ordinary share ceasing to be a Director or a Director Holding Vehicle for any reason; (c) the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the Founder) being deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a Director; (d) the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle, the Founder) being deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or (e) any direct or indirect sale, transfer, assignment, or disposition of the beneficial ownership of, or economic interest in, such Class B ordinary share or the control over the voting rights attached to such Class B Ordinary Share through voting proxy or otherwise to any person, including by reason that a Director Holding Vehicle no longer complies with Rule 8A.18(2) of the Listing Rules (in which case our company and the Founder or the Director Holding Vehicle must notify the Hong Kong Stock Exchange as soon as practicable with details of the non-compliance), other than a transfer of the legal title to such Class B ordinary share by the Founder to a Director Holding Vehicle wholly-owned and wholly controlled by him, or by a Director Holding Vehicle to the Founder or another Director Holding Vehicle wholly-owned and wholly controlled by the Founder. All of the Class B ordinary shares in the authorized share capital shall be automatically re-designated into Class A ordinary shares in the event that none of the holders of Class B ordinary shares at the time of our company’s initial listing on the Hong Kong Stock Exchange hold any Class B ordinary shares.

Dividends. Our directors may from time to time declare dividends (including interim dividends) and other distributions on our shares in issue and authorize payment of the same out of the funds of our company lawfully available therefor. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend may exceed the amount recommended by our directors. Our sixth amended and restated memorandum and articles of association provide that dividends may be declared and paid out of the funds of our Company lawfully available therefor. Under the laws of the Cayman Islands, our company may pay a dividend out of either profit or share premium account; provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. In respect of all matters subject to a shareholders' vote, each holder of Class A ordinary shares is entitled to one vote per share and each holder of Class B ordinary shares is entitled to ten votes per share on all matters subject to vote at our general meetings, except that each Class A ordinary share and each Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters: (a) any amendment to the memorandum and articles of association, including the variation of the rights attached to any class of shares; (b) the appointment, election or removal of any independent non-executive director; (c) the appointment or removal of the auditors; or (d) the voluntary liquidation or winding-up of our company. Our Class A ordinary shares and Class B ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. At any general meeting, a resolution put to the vote of the meeting shall be decided on a poll.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than three-fourths of the votes cast attaching to the issued and outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as change of name or making changes to our memorandum and articles of association. Our shareholders may, among other things, divide or combine their shares by ordinary resolution.

General Meetings of Shareholders. The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or The Stock Exchange of Hong Kong Limited) after the end of such financial year. The annual general meeting shall be held at such time and place as may be determined by the directors.

Shareholders' general meetings may be convened by the chairman of our board of directors or by our directors (acting by a resolution of our board). Advance notice of at least twenty-one days is required for the convening of our annual general shareholders' meeting and advance notice of at least fourteen days is required for the convening of any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of one or more of our shareholders holding shares which carry in aggregate (or representing by proxy) not less than 10% of all votes attaching to the issued and outstanding shares in our company entitled to vote at such general meeting (on a one vote per share basis).

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our sixth amended and restated memorandum and articles of association provide that upon the requisition of any one or more of our shareholders holding shares which carry in aggregate not less than one-tenth of the voting rights of our company, on a one vote per share basis, that as at the date of the deposit carry the right to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our sixth amended and restated memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Fully paid shares shall be free from any restriction on the right of transfer and shall also be free from all liens. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;

- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as Nasdaq Global Select Market may determine to be payable, and for so long as the shares are listed on the Hong Kong Stock Exchange, that transfers and other documents relating to or affecting the title to any registered securities shall be registered and where any fee or fees is/are charged, such fee or fees shall not exceed the maximum fees prescribed by The Stock Exchange of Hong Kong Limited from time to time in the Listing Rules, is paid to our company in respect thereof.

If our directors refuse to register a transfer they must, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten calendar days' notice being given by advertisement in such one or more newspapers, by electronic means or by any other means in accordance with the rules of the Nasdaq Global Select Market be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers may not be suspended nor the register closed for more than 30 days in any year as our board may determine.

Liquidation. On the winding up of our company, if the assets available for distribution amongst our shareholders will be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, such assets will be distributed so that, as nearly as may be, the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by our shareholders by special resolution. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders. Under the Companies Act, the redemption or repurchase of any share may be paid out of our Company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. Whenever the capital of our company is divided into different classes, the rights attached to any such class may, subject to any rights or restrictions for the time being attached to any class, only be materially adversely varied with the consent in writing of the holders of three-fourths of the voting rights of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation, allotment, or issue of further shares ranking *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our sixth amended and restated memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors may determine, to the extent of available authorized but unissued shares.

Subject to compliance with the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs, and on the conditions that (a) no new class of shares with voting rights superior to those of Class A ordinary shares will be created; and (b) any variations in the relative rights as between the different classes will not result in the creation of new class of shares with voting rights superior to those of Class A ordinary shares, our sixth amended and restated memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (other than copies of our memorandum and articles of association, our register of mortgages and charges, and any special resolutions passed by our shareholders). Under Cayman Islands law, the names of our current directors can be obtained from a search conducted at the Registrar of Companies. However, we intend to provide our shareholders with annual audited financial statements. Any register of members held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the directors may impose) be open to inspection by a shareholder without charge and any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the directors may determine for each inspection,

Anti-Takeover Provisions. Some provisions of our sixth amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our sixth amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Exempted Company. We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is incorporated in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;

- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

C. *Material Contracts*

Other than in the ordinary course of business and other than those described under this item, in “Item 4. Information on the Company,” “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions,” or elsewhere in this annual report, we have not entered into any material contract during the two years immediately preceding the date of this annual report.

D. *Exchange Controls*

The Cayman Islands currently has no exchange control restrictions. See also “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Exchange.”

E. *Taxation*

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties, which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. Payments of dividends and capital in respect of our ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ADSs or ordinary shares, nor will gains derived from the disposal of our ADSs or ordinary shares be subject to Cayman Islands income or corporation tax. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

PRC Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside China with “de facto management body” within China is considered a resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Taxation Administration issued a circular which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Taxation Administration’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to this circular, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that Li Auto Inc. is not a PRC resident enterprise for PRC tax purposes. Li Auto Inc. is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that Li Auto Inc. meets all of the conditions above. Li Auto Inc. is a company incorporated outside China. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

If the PRC tax authorities determine that Li Auto Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC resident individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC resident individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Li Auto Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that Li Auto Inc. is treated as a PRC resident enterprise. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

United States Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that holds our ADSs as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the IRS or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, any minimum tax, and other non-income tax considerations, the Medicare tax on certain net investment income, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;

- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- persons liable for any minimum tax;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities or arrangements taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities or arrangements. all of whom may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. tax, Medicare tax, non-income tax (such as U.S. federal estate or gift tax) and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a PFIC for U.S. federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income (the “income test”) or (ii) 50% or more of the average percentage value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income (the “asset test”). For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock.

Although the law in this regard is not entirely clear, we treat our consolidated VIEs and their subsidiaries as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with them. As a result, we consolidated their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we are not the owner of the VIEs for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year.

Assuming that we are the owner of the VIEs and their subsidiaries for U.S. federal income tax purposes, and based upon our current and projected income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2025 and do not presently expect to be a PFIC for the current taxable year or the foreseeable future. While we do not expect to be or become a PFIC, no assurance can be given in this regard because the determination of whether we will be or become a PFIC for any taxable year is a fact intensive determination made annually that depends, in part, upon the composition of our income and assets. Fluctuations in the market prices of our ADSs and Class A ordinary shares may cause us to be or become classified as a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and unbooked intangibles, may be determined by reference to the market prices of our ADSs and Class A ordinary shares from time to time (which may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our current market capitalization. If our market capitalization subsequently declines, we may be or become classified as a PFIC for the current taxable year or future taxable years. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. Under circumstances where revenues from activities that produce passive income significantly increase relative to our revenues from activities that produce non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of being or becoming classified as a PFIC may substantially increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the PFIC rules discussed below under “—Passive Foreign Investment Company Rules” generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

The discussion below under “—Dividends” and “—Sale or Other Disposition” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a PFIC for any taxable year are discussed below under “—Passive Foreign Investment Company Rules.”

Dividends

Any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction generally allowed to corporations. A non-corporate U.S. Holder will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs or Class A ordinary shares on which the dividends are paid are readily tradeable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty, (2) we are neither a PFIC nor treated as such with respect to such U.S. Holder for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. Our ADSs (but not our Class A ordinary shares), which are listed on the Nasdaq Global Select Market, are considered readily tradeable on an established securities market in the United States. There can be no assurance, however, that our ADSs will be considered readily tradeable on an established securities market in later years.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “—PRC Taxation”), we may be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph. U.S. Holders are urged to consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to our ADSs or Class A ordinary shares.

Dividends paid on our ADSs or Class A ordinary shares, if any, will generally be treated as income from foreign sources and will generally constitute passive category income for U.S. foreign tax credit purposes. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any nonrefundable foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign taxes withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders will generally be eligible for a reduced rate of taxation. In the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in China, a U.S. Holder may elect to treat such gain as PRC-source gain under the United States-PRC income tax treaty. Pursuant to Treasury Regulations (the applicability of which has been postponed until further guidance is issued), however, if a U.S. Holder is not eligible for the benefits of the treaty or does not elect to apply the treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or Class A ordinary shares. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the treaty and the potential impact of the Treasury Regulations.

Passive Foreign Investment Company Rules

As discussed above, we do not believe that we were a PFIC for the taxable year ended December 31, 2024, and we do not expect to be classified as a PFIC for our current taxable year or the foreseeable future. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, (each, a "pre-PFIC year") will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries, our consolidated VIEs or any of their subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, our consolidated VIEs, or their subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded on a qualified exchange or other market, as defined in applicable United States Treasury Regulations. Our ADSs are listed on the Nasdaq Global Select Market, which is a qualified exchange for these purposes, and our Class A ordinary shares are listed on the Hong Kong Stock Exchange, which should constitute a qualified exchange or other market. We anticipate that our ADSs and Class A ordinary shares should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs or Class A ordinary shares held at the end of the taxable year over the adjusted tax basis of such ADSs or Class A ordinary shares and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs or Class A ordinary shares over the fair market value of such ADSs or Class A ordinary shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs or Class A ordinary shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs or Class A ordinary shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.

Because a mark-to-market election technically cannot be made for any lower-tier PFICs that we may own, a U.S. Holder that makes the mark-to-market election may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC.

F. *Dividends and Paying Agents*

Not applicable.

G. *Statement by Experts*

Not applicable.

H. *Documents on Display*

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with SEC. All information filed with SEC can be obtained over the Internet at SEC’s website at <https://www.sec.gov>.

As a foreign private issuer, (i) we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, (ii) our executive officers and directors are exempt from the short-swing rules contained in Section 16 of the Exchange Act, and (iii) our principal shareholders are exempt from the reporting and short-swing rules contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we intend to furnish the depository with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports, and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. *Subsidiary Information*

Not applicable.

J. *Annual Report to Security Holders*

We intend to electronically submit the annual report for the fiscal year ended December 31, 2024 published pursuant to the Hong Kong Listing Rules as an exhibit to a current report on Form 6-K via EDGAR to be furnished on the same date hereof.

Enforceability of Civil Liabilities

We are an exempted company incorporated under the laws of the Cayman Islands, while we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and all our senior executive officers are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other jurisdictions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Cayman Islands

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. Our constituent documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our officers, directors, and shareholders, be arbitrated.

Our Cayman Islands legal counsel has advised us that there is uncertainty as to whether the courts of the Cayman Islands would (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or officers that are predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state in the United States, or (ii) entertain original actions brought in the Cayman Islands against us or our directors or officers that are predicated upon the federal securities laws of the United States or the securities laws of any state in the United States.

Our Cayman Islands legal counsel has informed us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the courts of the Cayman Islands will, at common law, recognize and enforce a foreign monetary judgment of a foreign court of competent jurisdiction without any re-examination of the merits of the underlying dispute based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the liquidated sum for which such judgment has been given, provided that certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

PRC

Our PRC legal counsel has advised us that there is uncertainty as to whether PRC courts would (i) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in each respective jurisdiction against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Our PRC legal counsel has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. There exists no treaty and few other forms of reciprocity between China and the United States or the Cayman Islands governing the recognition and enforcement of foreign judgments as of the date of this annual report. In addition, according to the PRC Civil Procedures Law, PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law before a PRC court against a company for disputes relating to contracts or other property interests, and the PRC court may accept a cause of action based on the laws or the parties' express mutual agreement in contracts choosing PRC courts for dispute resolution if such foreign shareholders can establish sufficient nexus to China for a PRC court to have jurisdiction and meet other procedural requirements, including, among others, that the plaintiff must have a direct interest in the case and that there must be a concrete claim, a factual basis, and a cause for the case. The PRC court will determine whether to accept the complaint in accordance with the PRC Civil Procedures Law. The shareholder may participate in the action by itself or entrust any other person or PRC legal counsel to participate on behalf of such shareholder. Foreign citizens and companies will have the same rights as PRC citizens and companies in an action unless the home jurisdiction of such foreign citizens or companies restricts the rights of PRC citizens and companies.

However, it will be difficult for U.S. shareholders to originate actions against us in China in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding our ADSs or Class A ordinary shares, to establish a connection to China for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits and wealth management products. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

We may invest the net proceeds that we receive from our offerings in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

Foreign Exchange Risk

Our expenditures are mainly denominated in Renminbi and, therefore, we are exposed to risks relating to movements between Renminbi and U.S. dollars. Our exposure to U.S. dollars exchange rate fluctuation arises from the Renminbi-denominated cash and cash equivalents, restricted cash, time deposits and short-term investments, long-term time deposits, and long-term financial instruments held by us and our subsidiaries whose functional currency is U.S. dollars, and the U.S. dollar-denominated cash and cash equivalents, restricted cash, and time deposits and short-term investments held by our subsidiaries whose functional currency is Renminbi. We enter into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk when we deem appropriate. The value of your investment in our Class A ordinary shares and the ADSs will be affected by the exchange rate between U.S. dollars and Renminbi because the value of our business is effectively denominated in Renminbi, while our Class A ordinary shares and the ADSs will be traded in Hong Kong dollars and U.S. dollars, respectively.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against U.S. dollars, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars or other currencies into Renminbi for our operations, appreciation of Renminbi against U.S. dollars would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars or other currency for the purpose of making payments to suppliers or for dividends on our Class A ordinary shares or ADSs or for other business purposes, appreciation of U.S. dollars against Renminbi would have a negative effect on the U.S. dollar amounts available to us.

As of December 31, 2025, we had RMB-denominated cash and cash equivalents, restricted cash, time deposits and short-term investments, and long-term time deposits and financial instruments included in long-term investments of RMB79.5 billion, and U.S. dollar-denominated cash, cash equivalents time deposits and short-term investments, and long-term time deposits and financial instruments included in long-term investments of US\$3.1 billion. Assuming we had converted RMB79.5 billion into U.S. dollars at the exchange rate of RMB6.9931 for US\$1.00 as of December 31, 2025, our U.S. dollar cash balance would have been US\$14.5 billion. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$13.4 billion instead. Assuming we had converted US\$3.1 billion into RMB at the exchange rate of RMB6.9931 for US\$1.00 as of December 31, 2025, our RMB cash balance would have been RMB101.2 billion. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB103.4 billion instead.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. *Debt Securities*

Not applicable.

B. *Warrants and Rights*

Not applicable.

C. *Other Securities*

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

Deutsche Bank Trust Company Americas, as depositary, will register and deliver the ADSs. Each ADS will represent ownership of two shares, deposited with Deutsche Bank AG, Hong Kong Branch, as custodian for the depositary. Each ADS will also represent ownership of any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered and the principal executive office of the depositary are both located at One Columbus Circle, New York, NY 10019, United States.

<u>Service</u>	<u>Fees</u>
To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
Distribution of cash dividends	Up to US\$0.05 per ADS held
Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
Distribution of ADSs pursuant to exercise of rights.	Up to US\$0.05 per ADS held
Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

In addition, holders, beneficial owners, any person depositing shares for deposit and any person surrendering ADSs for cancellation and withdrawal of deposited securities will be required to pay the following charges:

- taxes (including applicable interest and penalties) and other governmental charges;
- such registration fees as may from time to time be in effect for the registration of shares or other deposited securities with the foreign registrar and applicable to transfers of shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;
- such cable, telex, facsimile and electronic transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the depositor depositing or person withdrawing shares or holders and beneficial owners of ADSs;
- the expenses and charges incurred by the depositary and/or a division or affiliate(s) of the depositary in the conversion of foreign currency;
- such fees and expenses as are incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to shares, deposited securities, ADSs and ADRs;
- the fees and expenses incurred by the depositary in connection with the delivery of deposited securities, including any fees of a central depositary for securities in the local market, where applicable;
- any additional fees, charges, costs or expenses that may be incurred by the depositary or a division or affiliate(s) of the depositary from time to time.

Fees and Other Payments Made by the Depositary to Us

The depositary may make payments to us and/or may share revenue with us derived from ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time. We received net payment of approximately US\$1.28 million from the depositary in 2025.”

Conversion Between Class A Ordinary Shares and ADSs

Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares are traded on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- Securities and Futures Commission of Hong Kong transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- charge by the Hong Kong Share Registrar between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

An investor may arrange with his or her broker or custodian on a settlement date in respect of his or her trades executed on the Hong Kong Stock Exchange. Under the Hong Kong Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second business day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provided that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

We have established a branch register of members in Hong Kong, which we refer to as the Hong Kong share register and is maintained by our Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, which we refer to as the Cayman share register, is maintained by our principal share registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands.

All Class A ordinary shares offered in connection with our listing in Hong Kong are registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong share register are able to exchange these Class A ordinary shares into ADSs, and vice versa.

In connection with our listing in Hong Kong, and to facilitate fungibility and conversion between ADSs and Class A ordinary shares and trading between the Nasdaq Global Select Market and the Hong Kong Stock Exchange, we have moved a portion of our issued Class A ordinary shares from our Cayman share register to our Hong Kong share register.

Converting Class A Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on the Nasdaq Global Select Market must deposit or have his or her broker deposit the Class A ordinary shares with the depository's Hong Kong custodian, Deutsche Bank AG, Hong Kong Branch, in exchange for ADSs.

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer the Class A ordinary shares to the depository's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depository's account with the custodian within CCASS, and must submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all case to the terms of the deposit agreement, the depository will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs as instructed in the letter of transmittal.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depository may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Converting ADSs to Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares that trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depository's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depository.

- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive Class A ordinary shares in CCASS first and then arrange for the withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong share registrar. For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions.

For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures for delivery for Class A ordinary shares in a CCASS account is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary delivers ADSs or permits withdrawal of Class A ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers, and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong share registrar or Cayman Islands share registrar are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from or deposit of Class A ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and ADSs should note that the Hong Kong share registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and ADSs must pay up to US\$5.00 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

PART II.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

Not applicable.

Item 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management has concluded that, as of December 31, 2025, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all potential misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our chief executive officer and chief financial officer assessed the effectiveness of internal control over financial reporting as of December 31, 2025 using the criteria set forth in the report “Internal Control—Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the management concluded that our internal control over financial reporting was effective as of December 31, 2025.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2025, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Hongqiang Zhao, an independent director (under the standards set forth in Nasdaq Stock Market Rule 5605(a)(2) and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to all of the directors, officers and employees of us and our subsidiaries, whether they work for us on a full-time, part-time, consultative, or temporary basis. In addition, we expect those who do business with us, such as consultants, suppliers and collaborators, to also adhere to the principles outlined in the code of ethics. Certain provisions of the code of ethics apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, vice presidents and any other persons who perform similar functions for us. We have filed our currently effective code of business conduct and ethics as an exhibit to our annual report on Form 20-F, and posted the code on our investor relations website at <https://ir.lixiang.com>.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our principal accountant, for the periods indicated. We did not incur any other fees to our principal accountant during the periods except as indicated below.

	For the Year Ended December 31,		
	2024	2025	
	RMB	RMB (in thousands)	US\$
Audit Fees ⁽¹⁾	13,180	13,000	1,859
Audit-Related Fees ⁽²⁾	—	—	—
Tax Fees ⁽³⁾	123	215	31
All Other Fees ⁽⁴⁾	991	9	1

Notes:

- (1) “Audit Fees” represent the aggregate fees billed or to be billed for professional services rendered by our principal accountant for the audit of our annual financial statements and the review of quarterly financial information.
- (2) “Audit-Related Fees” represent the fees billed or to be billed for professional services rendered by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit Fees.”
- (3) “Tax Fees” represent the aggregate fees billed or to be billed for professional services rendered by our principal accountant for tax compliance, tax advice and tax planning.

- (4) “All Other Fees” represent the aggregate fees billed or to be billed for professional services rendered by our principal accountant other than services reported under “Audit fees,” “Audit-Related Fees” and “Tax Fees,” which mainly include due diligence service and other advisory services.

The policy of our audit committee is to pre-approve all audit and other service provided by our principal accountant, including applicable audit services, audit-related services, tax services, and other services as described above.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On March 24, 2026, we announced that our board of directors has approved a share repurchase program under which we are authorized to purchase up to US\$1.0 billion of its Class A ordinary shares and/or American depositary shares for the period from the approval date up to March 31, 2027, subject to our shareholders’ approval of general mandate for repurchase at each of our annual general meetings.

As of March 31, 2026, we had repurchase a total of 2,928,100 Class A ordinary shares for an aggregate consideration of HK\$201.9 million on the Hong Kong Stock Exchange and a total of 693,938 ADSs (representing 1,387,876 Class A ordinary shares) for an aggregate consideration of US\$12.3 million on the Nasdaq.

Item 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

Item 16G. CORPORATE GOVERNANCE

As a Cayman Islands exempted company listed on Nasdaq Stock Market, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. As a result, our shareholders may be afforded less protection than they would otherwise enjoy under the Nasdaq Stock Market corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our ADSs—As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq listing standards.”

In addition, as a “controlled company” as defined under the Nasdaq Stock Market Rules, we are permitted to elect to rely, and are currently relying, on certain exemptions from corporate governance rules. Currently, the majority of our board of directors are not independent directors. In addition, the compensation of our executive officers is not determined or recommended solely by independent directors, and our director nominees are not selected or recommended solely by independent directors. As a result, you do not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

Item 16J. INSIDER TRADING POLICIES

Our board of directors has established insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by our directors, officers, employees and other relevant persons to promote compliance with applicable insider trading laws, rules and regulations, and listing standards.

Our Amended and Restated Statement of Policies Governing Material Non - Public Information and The Prevention of Insider Trading is filed as Exhibit 11.2 to this annual report on Form 20 - F.

Item 16K. CYBERSECURITY

Risk Management and Strategy

We have implemented robust processes for assessing, identifying, and managing material risks from cybersecurity threats and monitoring the prevention, detection, mitigation, and remediation of material cybersecurity incident. We also have integrated cybersecurity risk management into our overall enterprise risk management system.

We have established a dynamic and multi-layered cybersecurity defense system to effectively mitigate both internal and external cyber threats. This comprehensive system spans multiple security domains, including network, host, and application layers. It integrates a range of security capabilities such as threat defense, continuous monitoring, in-depth analysis, rapid response, as well as strategic deception and countermeasures. Our approach to managing cybersecurity risks and safeguarding sensitive data is multi-faceted, involving technological safeguards, procedural protocols, a rigorous program of surveillance on our corporate network, ongoing internal and external evaluations of our security measures, a solid incident response framework, and regular cybersecurity training sessions for our employees. Our IT department is actively engaged in continuous monitoring of our application, platforms, and infrastructure to ensure prompt identification and response to potential issues, including emerging cybersecurity threats.

We do not engage any assessors, consultants, or other third parties in connection with the processes for assessing, identifying, and managing material risks from cybersecurity threats. As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, financial condition, or results of operations.

Governance

Our board of directors is responsible for overseeing our cybersecurity risk management. Our board of directors will (i) maintain oversight of the disclosure relating to cybersecurity matters in current reports or periodic reports of our company, (ii) review updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the disclosure issues, if any, presented by our chief executive officer, chief financial officer, and other personnel in charge of cybersecurity matters on a quarterly basis, and (iii) review disclosure concerning cybersecurity matters in our annual report on Form 20-F presented by our chief executive officer, chief financial officer, and other personnel in charge of cybersecurity matters.

At management level, our chief executive officer, chief financial officer, and an employee in charge of cybersecurity matters who has abundant experience in leading the security engineering team in large technology companies and extensive knowledge and skills in security risk management, are responsible for assessing, identifying, and managing material risks from cybersecurity threats to our company and monitoring the prevention, detection, mitigation, and remediation of material cybersecurity incident. They report to our board of directors on (i) a quarterly basis on updates to the status of any material cybersecurity incidents or material risks from cybersecurity threats to our company, and the disclosure issues, if any, and (ii) on disclosure concerning cybersecurity matters in our annual report on Form 20-F.

PART III.

Item 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

The consolidated financial statements of Li Auto Inc. are included at the end of this annual report.

Item 19. EXHIBITS

Exhibit Number	Document
1.1	Sixth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.1 to the current report on Form 6-K (File No. 001-39407), furnished with the Securities and Exchange Commission on June 1, 2023)
2.1	Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-251066), as amended, initially filed with the Securities and Exchange Commission on December 2, 2020)
2.2	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)
2.3	Deposit Agreement, dated July 29, 2020, by and among the Registrant, the depository, and the holders and beneficial owners of American Depositary Shares evidenced by American Depositary Receipts issued thereunder (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form F-1 (File No. 333-251066), as amended, initially filed with the Securities and Exchange Commission on December 2, 2020)
2.4	Description of Securities (incorporated herein by reference to Exhibit 2.6 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)
4.1	Amended and Restated 2019 Share Incentive Plan (incorporated herein by reference to Exhibit 4.1 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)
4.2	Amended and Restated 2020 Share Incentive Plan (incorporated herein by reference to Exhibit 4.2 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)
4.3	2021 Share Incentive Plan (incorporated herein by reference to Exhibit 4.22 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on March 10, 2021)
4.4	Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)
4.5	Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)
4.6	English translation of executed form of Power of Attorney between a VIE of the Registrant, its shareholders and Wheels Technology as currently in effect, and a schedule of all executed Powers of Attorneys adopting the same form in respect of each of the VIEs of the Registrant (incorporated herein by reference to Exhibit 4.6 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)
4.7	English translation of the executed form of Spousal Consent Letter by the spouse of an individual shareholder of a VIE of the Registrant, as currently in effect, and a schedule of all executed Spousal Consent Letters adopting the same form in respect of each shareholder of the VIEs of the Registrant (incorporated herein by reference to Exhibit 4.7 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)
4.8	English translation of Equity Pledge Agreement between the shareholders of Beijing CHJ and Wheels Technology, dated July 3, 2023 (incorporated herein by reference to Exhibit 4.8 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)
4.9	English translation of Exclusive Consultation and Service Agreement between Beijing CHJ and Wheels Technology, dated July 3, 2023 (incorporated herein by reference to Exhibit 4.9 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)

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Exhibit Number	Document
4.10	<u>English translation of Equity Option Agreement between Beijing CHJ, its shareholders, and Wheels Technology, dated July 3, 2023 (incorporated herein by reference to Exhibit 4.10 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)</u>
4.11	<u>English translation of Business Operation Agreement between Xindian Information, its shareholders, and Wheels Technology, dated April 21, 2021 (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
4.12	<u>English translation of Equity Pledge Agreement between Xindian Information, its shareholders, and Wheels Technology, dated April 21, 2021 (incorporated herein by reference to Exhibit 4.12 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
4.13	<u>English translation of Exclusive Consultation and Service Agreement between Xindian Information and Wheels Technology, dated April 21, 2021 (incorporated herein by reference to Exhibit 4.13 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
4.14	<u>English translation of Equity Option Agreement between Xindian Information, its shareholders, and Wheels Technology, dated April 21, 2021 (incorporated herein by reference to Exhibit 4.14 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
4.15	<u>Series C Warrant and Preferred Share Purchase Agreement between the Registrant and other parties thereto, dated July 2, 2019 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.16	<u>Series D Preferred Share Purchase Agreement between the Registrant, Inspired Elite Investments Limited, Kevin Sunny Holding Limited, and other parties thereto, dated July 1, 2020 (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.17	<u>Series D Preferred Share Purchase Agreement between the Registrant, Amp Lee Ltd., and other parties thereto, dated July 1, 2020 (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.18	<u>Share Subscription Agreement between the Registrant and Inspired Elite Investments Limited, dated July 22, 2020 (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.19	<u>Share Subscription Agreement between the Registrant and Bytedance (HK) Limited, dated July 22, 2020 (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.20	<u>Share Subscription Agreement between the Registrant and Zijin Global Inc., dated July 22, 2020 (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.21	<u>Share Subscription Agreement between the Registrant and Kevin Sunny Holding Limited, dated July 22, 2020 (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 (File No. 333-239812), as amended, initially filed with the Securities and Exchange Commission on July 10, 2020)</u>
4.22	<u>Indenture between the Registrant and Deutsche Bank Trust Company Americas, as trustee, constituting US\$862,500,000 0.25% Convertible Senior Notes due 2028 (incorporated herein by reference to Exhibit 4.22 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
4.23	<u>Form of 0.25% Convertible Senior Notes due 2028 (included in Exhibit 4.22)</u>
4.24	<u>Amended and Restated Investor Rights Agreement between the Registrant, Xiang Li, Amp Lee Ltd., and Inspired Elite Investments Limited, dated July 26, 2021 (incorporated herein by reference to Exhibit 4.24 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 19, 2022)</u>
8.1*	<u>List of Significant Subsidiaries and Consolidated Variable Interest Entities of the Registrant</u>
11.1	<u>Amended and Restated Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 11.1 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)</u>
11.2	<u>Amended and Restated Statement of Policies Governing Material Non-Public Information and the Prevention of Insider Trading (incorporated herein by reference to Exhibit 11.2 to the annual report on Form 20-F filed by the Registrant with the Securities and Exchange Commission on April 10, 2025)</u>
12.1*	<u>CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2*	<u>CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1**	<u>CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
13.2**	<u>CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>

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Exhibit Number	Document
15.1*	Consent of Maples and Calder (Hong Kong) LLP
15.2*	Consent of Han Kun Law Offices
15.3*	Consent of PricewaterhouseCoopers Zhong Tian LLP
97.1	Clawback Policy of the Registrant (incorporated herein by reference to Exhibit 97.1 to the annual report on Form 20 - F filed by the Registrant with the Securities and Exchange Commission on April 12, 2024)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Scheme Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Notes:

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Li Auto Inc.

By: /s/ Xiang Li

Name: Xiang Li

Title: Chairman and Chief Executive Officer

Date: April 10, 2026

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Li Auto Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Li Auto Inc. and its subsidiaries (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2025, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accrual of product warranties

As described in Note 2(p) to the consolidated financial statements, the Company provides product warranties on all vehicles based on the contracts with its customers at the time of sale of such vehicles. As of December 31, 2025, the accrued warranty liability balance was RMB7,145.9 million. A warranty reserve is accrued for vehicles sold by multiplying the expected unit costs for warranty services by the sales volume which includes management's estimates of the projected costs to repair or replace items under warranties and recalls when identified. These estimates are based on actual claims incurred to date and the estimates of the nature, frequency and average costs of future claims.

The principal considerations for our determination that performing procedures relating to the accrual of product warranties is a critical audit matter are the significant judgment by management in determining the accrual of product warranties; this in turn led to significant auditor judgment, subjectivity, and effort in designing and performing procedures related to evaluating the reasonableness of management's estimates of the nature, frequency and average costs of future claims; and the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimate of the accrual of product warranties, including controls over management's estimates of the nature, frequency and average costs of future claims as well as the completeness and accuracy of actual claims incurred to date. These procedures also included, among others, testing management's process for determining the accrual of product warranties by (a) evaluating the appropriateness of the model applied by management for the accrual of warranty liabilities; (b) evaluating the reasonableness of the significant assumptions related to the nature, frequency and average costs of future claims, considering current and past experience, including a lookback analysis comparing prior period forecasted claims to actual claims incurred; and (c) testing the completeness, accuracy and relevance of management's data related to the actual claims incurred to date and whether such data was appropriately considered by management in the estimation of future claims. Professionals with specialized skill and knowledge were used to assist in developing an independent estimate of the accrual of warranty liabilities.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Beijing, the People's Republic of China
April 10, 2026

We have served as the Company's auditor since 2019.

LI AUTO INC.
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except for share and per share data)

	Notes	As of December 31,		
		2024 RMB	2025 RMB	2025 US\$ Note 2(e)
ASSETS				
Current assets:				
Cash and cash equivalents		65,901,123	56,691,765	8,106,815
Restricted cash		6,849	216,314	30,932
Time deposits and short-term investments	5	46,904,548	44,331,407	6,339,307
Trade receivable, net of allowance for credit losses of RMB561 and RMB1,747 as of December 31, 2024 and 2025, respectively	6	135,112	119,823	17,134
Inventories	7	8,185,604	8,752,439	1,251,582
Prepayments and other current assets, net of allowance for credit losses of RMB3,464 and RMB4,831 as of December 31, 2024 and 2025, respectively		5,176,546	5,174,246	739,907
Total current assets		126,309,782	115,285,994	16,485,677
Non-current assets:				
Long-term investments	11	922,897	848,672	121,358
Property, plant and equipment, net	8	21,140,933	22,774,938	3,256,773
Operating lease right-of-use assets, net	10	8,323,963	9,099,313	1,301,184
Intangible assets, net	9	914,951	1,191,974	170,450
Goodwill		5,484	5,484	784
Deferred tax assets	21	2,542,180	3,334,206	476,785
Other non-current assets, net of allowance for credit losses of RMB5,544 and RMB4,912 as of December 31, 2024 and 2025, respectively		2,188,888	1,755,237	250,996
Total non-current assets		36,039,296	39,009,824	5,578,330
Total assets		162,349,078	154,295,818	22,064,007
LIABILITIES				
Current liabilities:				
Short-term borrowings	12	281,102	6,217,745	889,126
Trade and notes payable	13	53,596,194	40,579,219	5,802,751
Amounts due to related parties	24	11,492	26,644	3,810
Deferred revenue, current	17	1,396,489	1,621,429	231,861
Operating lease liabilities, current	10	1,438,092	1,690,356	241,718
Finance lease liabilities, current	10	95,205	—	—
Accruals and other current liabilities	14	12,397,322	13,412,260	1,917,924
Total current liabilities		69,215,896	63,547,653	9,087,190
Non-current liabilities:				
Long-term borrowings	12	8,151,598	3,299,203	471,780
Deferred revenue, non-current	17	720,531	624,734	89,336
Operating lease liabilities, non-current	10	5,735,738	6,258,957	895,019
Finance lease liabilities, non-current	10	642,984	348,506	49,836
Deferred tax liabilities	21	864,999	691,652	98,905
Other non-current liabilities	15	5,696,950	6,385,370	913,096
Total non-current liabilities		21,812,800	17,608,422	2,517,972
Total liabilities		91,028,696	81,156,075	11,605,162
Commitments and contingencies	23			

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(All amounts in thousands, except for share and per share data)

	Notes	As of December 31,		
		2024 RMB	2025 RMB	2025 US\$ Note 2(e)
SHAREHOLDERS' EQUITY				
Class A Ordinary Shares				
(US\$0.0001 par value; 4,500,000,000 shares authorized, 1,766,208,188 shares issued and 1,651,894,442 shares outstanding as of December 31, 2024 and 4,500,000,000 shares authorized, 1,785,070,188 shares issued and 1,671,855,018 shares outstanding as of December 31, 2025)	18	1,215	1,229	176
Class B Ordinary Shares				
(US\$0.0001 par value; 500,000,000 shares authorized, 355,812,080 shares issued and outstanding as of December 31, 2024 and 2025)	18	235	235	34
Treasury shares		(74)	(73)	(10)
Additional paid-in capital		60,126,623	61,399,973	8,780,079
Accumulated other comprehensive loss		(171,748)	(825,180)	(117,999)
Statutory reserves		758,472	866,714	123,938
Retained earnings		10,160,161	11,176,357	1,598,198
Total Li Auto Inc. shareholders' equity		70,874,884	72,619,255	10,384,416
Noncontrolling interests		445,498	520,488	74,429
Total shareholders' equity		71,320,382	73,139,743	10,458,845
Total liabilities and shareholders' equity		162,349,078	154,295,818	22,064,007

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(All amounts in thousands, except for share and per share data)

	Notes	For the Year Ended December 31,			
		2023 RMB	2024 RMB	2025 RMB	2025 US\$ Note 2(e)
Revenues:					
Vehicle sales		120,294,667	138,538,092	106,683,100	15,255,480
Other sales and services		3,556,665	5,921,854	5,629,411	804,995
Total revenues	16	123,851,332	144,459,946	112,312,511	16,060,475
Cost of sales:					
Vehicle sales		(94,482,347)	(111,121,036)	(87,591,473)	(12,525,414)
Other sales and services		(1,872,234)	(3,682,772)	(3,735,980)	(534,238)
Total cost of sales		(96,354,581)	(114,803,808)	(91,327,453)	(13,059,652)
Gross profit		27,496,751	29,656,138	20,985,058	3,000,823
Operating expenses:					
Research and development		(10,586,129)	(11,071,358)	(11,314,949)	(1,618,016)
Selling, general and administrative		(9,767,955)	(12,229,323)	(10,664,857)	(1,525,055)
Other operating income, net		264,210	663,657	473,631	67,728
Total operating expenses		(20,089,874)	(22,637,024)	(21,506,175)	(3,075,343)
Income/(Loss) from operations		7,406,877	7,019,114	(521,117)	(74,520)
Other (expense)/income					
Interest expense		(86,251)	(187,755)	(168,078)	(24,035)
Interest income and investment income, net		2,082,948	1,819,964	1,918,883	274,397
Others, net		1,048,189	664,301	67,447	9,645
Income before income tax		10,451,763	9,315,624	1,297,135	185,487
Income tax benefit/(expense)	21	1,357,362	(1,270,374)	(157,707)	(22,552)
Net income		11,809,125	8,045,250	1,139,428	162,935
Less: Net income attributable to noncontrolling interests		104,992	12,900	14,990	2,143
Net income attributable to ordinary shareholders of Li Auto Inc.		11,704,133	8,032,350	1,124,438	160,792
Weighted average number of ordinary shares	19				
Basic		1,967,863,759	1,993,191,951	2,015,070,194	2,015,070,194
Diluted		2,115,376,392	2,129,273,430	2,142,727,527	2,142,727,527
Net earnings per share attributable to ordinary shareholders	19				
Basic		5.95	4.03	0.56	0.08
Diluted		5.55	3.79	0.54	0.08
Net income		11,809,125	8,045,250	1,139,428	162,935
Other comprehensive (loss)/income					
Foreign currency translation adjustment, net of nil tax		(30,766)	53,128	(653,432)	(93,440)
Total other comprehensive (loss)/income		(30,766)	53,128	(653,432)	(93,440)
Total comprehensive income		11,778,359	8,098,378	485,996	69,495
Less: Net income attributable to noncontrolling interests		104,992	12,900	14,990	2,143
Comprehensive income attributable to ordinary shareholders of Li Auto Inc.		11,673,367	8,085,478	471,006	67,352

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in thousands, except for share and per share data)

	Class A Ordinary Shares		Class B Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Statutory Reserves	(Accumulated Deficit)/Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
	Number of Shares	Amount RMB	Number of Shares	Amount RMB	Number of Shares	Amount RMB						
Balance as of January 1, 2023	1,728,765,894	1,188	355,812,080	235	(130,224,082)	(84)	53,869,322	(194,110)	—	(8,817,850)	327,606	45,186,307
Exercise of share options and vesting of RSUs	—	—	—	—	23,166,744	15	16,288	—	—	—	—	16,303
Share-based compensation	—	—	—	—	—	—	2,378,689	—	—	—	—	2,378,689
Foreign currency translation adjustment, net of nil tax	—	—	—	—	—	—	—	(30,766)	—	—	—	(30,766)
Issuance of ordinary shares as treasury shares	29,300,000	21	—	—	(29,300,000)	(21)	—	—	—	—	—	—
Share issuance upon the at-the-market equity offering program (the "ATM Offering")	8,142,294	6	—	—	—	—	1,215,558	—	—	—	—	1,215,564
Appropriation to statutory reserves	—	—	—	—	—	—	—	—	444,585	(444,585)	—	—
Net income	—	—	—	—	—	—	—	—	—	11,704,133	104,992	11,809,125
Balance as of December 31, 2023	1,766,208,188	1,215	355,812,080	235	(136,357,338)	(90)	57,479,857	(224,876)	444,585	2,441,698	432,598	60,575,222

LI AUTO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in thousands, except for share and per share data)

	Class A Ordinary Shares		Class B Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Statutory Reserves	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
	Number of Shares	Amount RMB	Number of Shares	Amount RMB	Number of Shares	Amount RMB						
Balance as of January 1, 2024	1,766,208,188	1,215	355,812,080	235	(136,357,338)	(90)	57,479,857	(224,876)	444,585	2,441,698	432,598	60,575,222
Exercise of share options and vesting of RSUs	—	—	—	—	22,043,592	16	15,861	—	—	—	—	15,877
Share-based compensation	—	—	—	—	—	—	2,630,905	—	—	—	—	2,630,905
Foreign currency translation adjustment, net of nil tax	—	—	—	—	—	—	—	53,128	—	—	—	53,128
Appropriation to statutory reserves	—	—	—	—	—	—	—	—	313,887	(313,887)	—	—
Net income	—	—	—	—	—	—	—	—	—	8,032,350	12,900	8,045,250
Balance as of December 31, 2024	1,766,208,188	1,215	355,812,080	235	(114,313,746)	(74)	60,126,623	(171,748)	758,472	10,160,161	445,498	71,320,382

LI AUTO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(All amounts in thousands, except for share and per share data)

	Class A Ordinary Shares		Class B Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Statutory Reserves	Retained Earnings	Noncontrolling Interests	Total Shareholders' Equity
	Number of Shares	Amount RMB	Number of Shares	Amount RMB	Number of Shares	Amount RMB						
Balance as of January 1, 2025	1,766,208,188	1,215	355,812,080	235	(114,313,746)	(74)	60,126,623	(171,748)	758,472	10,160,161	445,498	71,320,382
Exercise of share options and vesting of RSUs	—	—	—	—	19,960,576	15	15,596	—	—	—	—	15,611
Share-based compensation	—	—	—	—	—	—	1,257,754	—	—	—	—	1,257,754
Foreign currency translation adjustment, net of nil tax	—	—	—	—	—	—	—	(653,432)	—	—	—	(653,432)
Capital injection by noncontrolling interest	—	—	—	—	—	—	—	—	—	—	60,000	60,000
Issuance of ordinary shares as treasury shares	18,862,000	14	—	—	(18,862,000)	(14)	—	—	—	—	—	—
Appropriation to statutory reserves	—	—	—	—	—	—	—	—	108,242	(108,242)	—	—
Net income	—	—	—	—	—	—	—	—	—	1,124,438	14,990	1,139,428
Balance as of December 31, 2025	1,785,070,188	1,229	355,812,080	235	(113,215,170)	(73)	61,399,973	(825,180)	866,714	11,176,357	520,488	73,139,743

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
				Note 2(e)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	11,809,125	8,045,250	1,139,428	162,935
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:				
Depreciation of property, plant and equipment, amortization of intangible assets and operating lease cost related to land use rights	1,805,001	3,057,865	4,635,080	662,808
Share-based compensation expenses	2,378,689	2,630,905	1,257,754	179,856
Foreign exchange loss/(gain)	14,893	24,872	(3,022)	(432)
Interest and investment (income)/loss, net	(255,456)	(231,307)	30,607	4,377
Interest expense	18,470	71,995	47,809	6,837
Share of loss of equity method investees	9,527	4,269	1,354	194
Inventory write-downs and losses on purchase commitments relating to inventory	236,740	335,940	243,007	34,750
Allowance for credit losses	(1,079)	1,264	1,922	275
Deferred income tax benefit	(1,803,587)	(49,807)	(925,492)	(132,344)
(Gain)/Loss on disposal of property, plant and equipment	(130,978)	(28,112)	86,126	12,316
Changes in operating assets and liabilities:				
Prepayments and other current assets	(2,369,287)	(238,577)	78,049	11,161
Inventories	(1,247,945)	(3,099,014)	(2,578,960)	(368,786)
Operating lease right-of-use assets	(2,161,408)	(2,113,175)	(787,440)	(112,602)
Other non-current assets	363,724	102,872	82,670	11,822
Trade receivable	(95,100)	8,204	14,103	2,017
Deferred revenue	1,186,929	(220,741)	129,143	18,467
Operating lease liabilities	2,181,577	2,195,843	770,231	110,142
Trade and notes payable	31,845,612	2,210,835	(13,016,975)	(1,861,403)
Amounts due to related parties	3,417	885	15,152	2,167
Accruals and other current liabilities	5,285,964	1,499,489	(715,211)	(102,276)
Finance lease liabilities	—	(6,000)	(56,637)	(8,099)
Other non-current liabilities	1,618,693	1,729,405	939,905	134,405
Net cash provided by/(used in) operating activities	50,693,521	15,933,160	(8,611,397)	(1,231,413)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment and intangible assets and land use rights	(6,507,190)	(7,730,022)	(4,205,517)	(601,381)
Disposal of property, plant and equipment	284,000	970,222	1,300,203	185,928
Purchase of long-term investments	(198,213)	(31,333)	(60,558)	(8,660)
Disposal of long-term investments	—	43,001	127,766	18,270
Placement of time deposits	(19,107,879)	(54,650,166)	(75,755,040)	(10,832,827)
Redemption of time deposits	9,201,713	24,675,649	78,017,767	11,156,392
Placement of short-term investments	(14,820,000)	(12,864,520)	(32,379,693)	(4,630,235)
Redemption of short-term investments	31,135,501	8,450,000	32,251,947	4,611,967
Net cash used in investing activities	(12,068)	(41,137,169)	(703,125)	(100,546)

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(All amounts in thousands, except for share and per share data)

	For the Year Ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
				Note 2(e)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issuance through the ATM Offering, net of issuance cost	1,174,319	—	—	—
Proceeds from exercise of share options and vesting of RSUs	11,953	14,658	14,661	2,096
Proceeds from borrowings	1,750,194	471,322	1,636,251	233,981
Repayment of borrowings	(2,751,081)	(996,190)	(279,472)	(39,964)
Capital injection from noncontrolling interest	—	—	60,000	8,580
Repayment of principal on finance lease obligation	—	—	(664,038)	(94,956)
Proceeds from debt from third party investors	—	94,562	—	—
Net cash provided by/(used in) financing activities	185,385	(415,648)	767,402	109,737
Effects of exchange rate changes on cash, cash equivalents and restricted cash	44,513	198,120	(452,773)	(64,746)
Net change in cash, cash equivalents and restricted cash	50,911,351	(25,421,537)	(8,999,893)	(1,286,968)
Cash, cash equivalents and restricted cash at beginning of the year	40,418,158	91,329,509	65,907,972	9,424,715
Cash, cash equivalents and restricted cash at end of the year	91,329,509	65,907,972	56,908,079	8,137,747
Supplemental Disclosures				
Cash paid for interest, net of amounts capitalized	(41,469)	(96,668)	(142,467)	(20,372)
Cash paid for income tax	(58,645)	(645,529)	(1,464,869)	(209,474)

The accompanying notes are an integral part of these consolidated financial statements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations**(a) Principal activities**

Li Auto Inc. (“Li Auto”, or the “Company”) was incorporated under the laws of the Cayman Islands in April 2017 as an exempted company with limited liability. The Company, through its consolidated subsidiaries and the consolidated variable interest entities (the “VIEs”) and the VIEs’ subsidiaries (collectively, the “Group”), is primarily engaged in the design, development, manufacturing, and sales of new energy vehicles and providing other sales and services mainly in the People’s Republic of China (the “PRC”).

(b) History of the Group and basis of presentation

In preparation for the Listing on the main board of the Stock Exchange of Hong Kong Limited (“HKEX”), the Group underwent reorganization of its corporate structure in the second quarter of 2021, and changed certain VIEs to subsidiaries within the Group in March 2022, that were accounted for as common control transaction within the Group. Accordingly, there was no impact to the Group’s consolidated financial information.

The Group’s consolidated financial statements include the financial statements of the Company, its subsidiaries, the consolidated VIEs and the VIEs’ subsidiaries.

As of December 31, 2025, the Company’s principal subsidiaries, the consolidated VIEs and the VIEs’ subsidiaries are as follows:

	Equity Interest Held	Date of Incorporation or Date of Acquisition	Place of Incorporation	Principal Activities
Subsidiaries				
Leading Ideal HK Limited (“Leading Ideal HK”)	100 %	May 15, 2017	Hong Kong, PRC	Investment holding
Beijing Co Wheels Technology Co., Ltd. (“Wheels Technology”)	100 %	December 19, 2017	Beijing, PRC	Technology development and corporate management
Beijing CHJ Automobile Technology Co., Ltd. (“Beijing CHJ Technology”)	100 %	March 22, 2021	Beijing, PRC	Technology development
Beijing Leading Automobile Sales Co., Ltd. (“Beijing Leading”)	100 %	August 6, 2019	Beijing, PRC	Sales and after sales management
Jiangsu Xindian Interactive Sales and Services Co., Ltd. (“Jiangsu XD”)	100 %	May 8, 2017	Changzhou, PRC	Sales and after sales management
Beijing Lixiang Automobile Co., Ltd. (“Beijing Lixiang Automobile”)	100 %	April 9, 2021	Beijing, PRC	Manufacturing of automobile
Shanghai Lixiang Automobile Technology Co., Ltd.	100 %	April 20, 2021	Shanghai, PRC	Technology development
The VIEs				
Beijing CHJ Information Technology Co., Ltd. (“Beijing CHJ”)		April 10, 2015	Beijing, PRC	Technology development
Beijing Xindian Transport Information Technology Co., Ltd. (“Xindian Information”)		March 27, 2017	Beijing, PRC	Technology development

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(c) Variable interest entity

The Company's subsidiary Wheels Technology has entered into contractual arrangements with Beijing CHJ and Xindian Information (collectively the "VIEs") and their respective shareholders. Through these arrangements, the Company has a controlling financial interest (and is the primary beneficiary) in each of the VIEs (as defined under ASC 810 "Consolidation") and, accordingly, consolidates each VIE under U.S. GAAP.

The following is a summary of the contractual arrangements by and among Wheels Technology ("WFOE"), the VIEs, and their respective shareholders.

Powers of Attorney and Business Operation Agreement

Each shareholder of Beijing CHJ signed a power of attorney to irrevocably authorize Wheels Technology to act as his or her attorney in-fact to exercise all of his or her rights as a shareholder of Beijing CHJ, including the right to convene shareholder meetings, the right to vote and sign any resolution as a shareholder, the right to appoint directors, supervisors, and officers, and the right to sell, transfer, pledge, and dispose of all or a portion of the equity interest held by such shareholder. These powers of attorney will remain in force for 10 years. Upon request by Wheels Technology, each shareholder of Beijing CHJ shall extend the term of its authorization prior to its expiration.

Pursuant to the Business Operation Agreements entered into by and among Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information, Xindian Information will not take any action that may have a material adverse effect on its assets, businesses, human resources, rights, obligations, or business operations without prior written consent of Wheels Technology. Xindian Information and its shareholders further agreed to accept and strictly follow Wheels Technology's instructions relating to Xindian Information's daily operations, financial management, and election of directors appointed by Wheels Technology. The shareholders of Xindian Information agree to transfer any dividends or any other income or interests they receive as the shareholders of Xindian Information immediately and unconditionally to Wheels Technology. Unless Wheels Technology terminates this agreement in advance, this agreement will remain effective for 10 years and can be renewed upon request by Wheels Technology prior to its expiration. Xindian Information and its shareholders have no right to terminate this agreement unilaterally. Pursuant to the Business Operation Agreement, each shareholder of Xindian Information has executed a power of attorney to irrevocably authorize Wheels Technology to act as his or her attorney-in-fact to exercise all of his or her rights as a shareholder of Xindian Information. The terms of these powers of attorney are substantially similar to the powers of attorney executed by the shareholders of Beijing CHJ described above.

Spousal Consent Letters

Spouses of two shareholders of Beijing CHJ, who collectively hold 100% of equity interests in Beijing CHJ, have each signed a spousal consent letter. Each signing spouse of the relevant shareholder acknowledges that the equity interests in Beijing CHJ held by the relevant shareholder of Beijing CHJ are the personal assets of that shareholder and not jointly owned by the married couple. Each signing spouse also has unconditionally and irrevocably disclaimed his or her rights to the relevant equity interests and any associated economic rights or interests to which he or she may be entitled pursuant to applicable laws, and has undertaken not to make any assertion of rights to such equity interests and the underlying assets. Each signing spouse has agreed and undertaken that he or she will not carry out in any circumstances any conducts that are contradictory to the contractual arrangements and the spousal consent letter.

Spouses of nine shareholders of Xindian Information, who collectively hold 98.1% equity interests in Xindian Information, have each signed a spousal consent letter, which includes terms substantially similar to the spousal consent letter relating to Beijing CHJ described above.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(c) Variable interest entity (continued)

Exclusive Consultation and Service Agreements

Pursuant to the Exclusive Consultation and Service Agreement entered into by and between Wheels Technology and Beijing CHJ, Wheels Technology has the exclusive right to provide Beijing CHJ with software technology development, technology consulting, and technical services required by Beijing CHJ's business. Without Wheels Technology's prior written consent, Beijing CHJ cannot accept any same or similar services subject to this agreement from any third party. Beijing CHJ agrees to pay Wheels Technology a service fee at an amount that is adjusted in accordance with Wheels Technology's sole discretion for the relevant quarter and also the mutually agreed amount for certain other technical services, both of which should be paid within 10 business days after Wheels Technology sends invoice within 30 days after the end of the relevant calendar quarter. Wheels Technology has exclusive ownership of all the intellectual property rights created as a result of the performance of the Exclusive Consultation and Service Agreement, to the extent permitted by applicable PRC laws. To guarantee Beijing CHJ's performance of its obligations thereunder, the shareholders have agreed to pledge their equity interests in Beijing CHJ to Wheels Technology pursuant to the Equity Pledge Agreement. The Exclusive Consultation and Service Agreement will remain effective for 10 years, unless otherwise terminated by Wheels Technology. Upon request by Wheels Technology, the term of this agreement can be renewed prior to its expiration.

Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an exclusive consultation and service agreement, which includes terms substantially similar to the Exclusive Consultation and Service Agreement relating to Beijing CHJ described above.

Equity Option Agreements

Pursuant to the Equity Option Agreement entered into by and among Wheels Technology, Beijing CHJ, and each of the shareholders of Beijing CHJ, the shareholders of Beijing CHJ have irrevocably granted Wheels Technology an exclusive option to purchase all or part of their equity interests in Beijing CHJ, and Beijing CHJ has irrevocably granted Wheels Technology an exclusive option to purchase all or part of its assets. Wheels Technology or its designated person may exercise such options to purchase equity interests at the lower of the amount of their respective paid-in capital in Beijing CHJ and the lowest price permitted under applicable PRC laws. Wheels Technology or its designated person may exercise the options to purchase assets at the lowest price permitted under applicable PRC laws. The shareholders of Beijing CHJ have undertaken that, without Wheels Technology's prior written consent, they will not, among other things, (i) transfer or otherwise dispose of their equity interests in Beijing CHJ, (ii) create any pledge or encumbrance on their equity interests in Beijing CHJ, (iii) change Beijing CHJ's registered capital, (iv) merge Beijing CHJ with any other entity, (v) dispose of Beijing CHJ's material assets (except in the ordinary course of business), or (vi) amend Beijing CHJ's articles of association. The Equity Option Agreement will remain effective for 10 years and can be renewed upon request by Wheels Technology.

Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an equity option agreement, which includes terms substantially similar to the equity option agreement relating to Beijing CHJ described above.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(c) Variable interest entity (continued)

Equity Pledge Agreements

Pursuant to the Equity Pledge Agreement entered into by and between Wheels Technology and the shareholders of Beijing CHJ, the shareholders of Beijing CHJ have agreed to pledge 100% of equity interests in Beijing CHJ to Wheels Technology to guarantee the performance by the shareholders of their obligations under the Equity Option Agreement and the Powers of Attorney, as well as the performance by Beijing CHJ of its obligations under the Equity Option Agreement, the Powers of Attorney, and payment of services fees to Wheels Technology under the Exclusive Consultation and Service Agreement. In the event of a breach by Beijing CHJ or any shareholder of contractual obligations under the Equity Pledge Agreement, Wheels Technology, as pledgee, will have the right to dispose of the pledged equity interests in Beijing CHJ and will have priority in receiving the proceeds from such disposal. The shareholders of Beijing CHJ also have undertaken that, without prior written consent of Wheels Technology, they will not dispose of, create, or allow any encumbrance on the pledged equity interests.

Wheels Technology, Xindian Information, and each of the shareholders of Xindian Information entered into an Equity Pledge Agreement, which includes terms substantially similar to the Equity Pledge Agreement relating to Beijing CHJ described above.

The registration of the equity pledge relating to Beijing CHJ and Xindian Information with the competent office of the SAMR in accordance with the PRC Property Law has been completed.

(d) Risks in relations to the VIE structure

According to the Guidance Catalogue of Industries for Foreign Investment promulgated in 2017, or the Catalogue, foreign ownership of certain areas of businesses are subject to restrictions under current PRC laws and regulations. Pursuant to the 2021 Negative List, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multiparty communications, store-and-forward, and call centers). In addition, foreign investors are prohibited from investing in companies engaging in internet culture businesses (except for music) and radio and television program production businesses.

Part of the Group's business is conducted through the VIEs of the Group, of which the Company is the ultimate primary beneficiary. In the opinion of the management, the contractual arrangements with the VIEs and the nominee shareholders are in compliance with PRC laws and regulations and are legally binding and enforceable. The nominee shareholders indicate they will not act contrary to the contractual arrangements. However, there are substantial uncertainties regarding the interpretation and application of the PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIEs were to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(d) Risks in relations to the VIE structure (continued)

It is possible that the Group's operations of certain of its businesses through the VIEs could be found by the PRC authorities to be in violation of the PRC laws and regulations prohibiting or restricting foreign ownership of companies that engage in such operations and businesses. While the Group's management considers the possibility of such a finding by PRC regulatory authorities under current PRC law and regulations to be remote, on March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the PRC, which came into effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law, and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law of the PRC embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For example, the Foreign Investment Law of the PRC adds a catch-all clause to the definition of "foreign investment" so that foreign investment, by its definition, includes "investments made by foreign investors in China through other means defined by other laws or administrative regulations or provisions promulgated by the State Council" without further elaboration on the meaning of "other means". It leaves leeway for the future legislations promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether the Group's corporate structure will be seen as violating the foreign investment rules as the Group are currently leveraging the contractual arrangements to operate certain businesses in which foreign investors are prohibited from or restricted to investing. Furthermore, if future legislations prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangement, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all. If the Group fail to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, the Group's current corporate structure, corporate governance and business operations could be materially and adversely affected.

If the Company's ownership structure, contractual arrangements, and businesses of the Company's PRC subsidiaries or VIEs are found to be in violation of any existing or future PRC laws or regulations, or PRC subsidiaries or VIEs fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoke the business licenses and/or operating licenses of such entities;
- shut down the servers or blocking the website or mobile application, or discontinue or place restrictions or onerous conditions on the Group's operation through any transactions between the PRC subsidiaries and the VIEs;
- impose fines, confiscate the income from the PRC subsidiaries or the VIEs, or imposing other requirements with which the VIEs may not be able to comply;
- require the Group to restructure the ownership structure or operations, including terminating the contractual arrangements with the VIEs and deregistering the equity pledges of the VIEs, which in turn would affect the Group's ability to consolidate, derive economic interests from, or exert effective control over the VIEs;
- restrict or prohibit the Group's use of the proceeds of offering to finance the Group's business and operations in China; or
- take other regulatory or enforcement actions that could be harmful to the Group's business.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(d) Risks in relations to the VIE structure (continued)

The imposition of any of these penalties may result in a material and adverse effect on the Group's ability to conduct the Group's businesses. In addition, if the imposition of any of these penalties causes the Group to lose the right to direct the activities of any of the VIEs (through its equity interests in its subsidiaries) or the right to receive their economic benefits, the Group will no longer be able to consolidate the relevant VIEs and its subsidiaries, if any. In the opinion of management, the likelihood of loss in respect of the Group's current ownership structure or the contractual arrangements with its VIEs is remote. The Group's operations depend on the VIEs and their nominee shareholders to honor their contractual arrangements with the Group. These contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. The management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under the PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those arrangements. The enforceability, and therefore the benefits, of the contractual agreements between the Company and the VIE depend on nominee shareholders enforcing the contracts. There is a risk that nominee shareholders of the VIEs, who in some cases are also shareholders of the Company, may have conflicts of interest with the Company in the future or fails to perform their contractual obligations. Given the significance and importance of the VIEs, there would be a significant negative impact to the Company if these contracts were not enforced.

The Group's operations depend on the VIEs to honour their contractual agreements with the Group and the Company's ability to control the VIEs also depends on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholder approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable and the possibility that it will no longer be able to control and consolidate the VIEs as a result of the aforementioned risks and uncertainties is remote.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(d) Risks in relations to the VIE structure (continued)

The following table sets forth consolidated financial information of the Group's VIEs and VIEs' subsidiaries as of December 31, 2024 and 2025 and for the years ended December 31, 2023, 2024 and 2025 taken as whole, which were included in the Group's consolidated financial statements with intercompany transactions eliminated.

	As of December 31,	
	2024	2025
	RMB	RMB
Current assets:		
Cash and cash equivalents	3,746,663	1,414,673
Restricted cash	3,386	3,368
Time deposits and short-term investments	2,507,701	3,831,811
Trade receivable, net	4,258	1,162
Amounts due from the Group companies ⁽¹⁾	3,271,021	3,679,148
Prepayments and other current assets	155,002	138,275
Total current assets	9,688,031	9,068,437
Non-current assets:		
Long-term investments	171,538	75,000
Property, plant and equipment, net	124,775	83,775
Operating lease right-of-use assets, net	612,329	569,122
Intangible assets, net	666,853	20,159
Deferred tax assets	3,127	14,350
Other non-current assets	297,716	162,986
Total non-current assets	1,876,338	925,392
Total assets	11,564,369	9,993,829
Current liabilities:		
Trade and notes payable	1,343,590	9,526
Amounts due to the Group companies ⁽¹⁾	897,615	332,789
Amounts due to related parties	23	23
Operating lease liabilities, current	50,213	56,128
Accruals and other current liabilities	324,410	175,580
Total current liabilities	2,615,851	574,046
Non-current liabilities:		
Operating lease liabilities, non-current	667,776	624,526
Deferred tax liabilities	4,637	—
Other non-current liabilities	31,488	24,106
Total non-current liabilities	703,901	648,632
Total liabilities	3,319,752	1,222,678
Total shareholders' equity	8,244,617	8,771,151
Total liabilities and shareholders' equity	11,564,369	9,993,829

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(d) Risks in relations to the VIE structure (continued)

	For the Year Ended December 31,		
	2023	2024	2025
Third-party revenues	3,376	23,605	36,173
Inter-company revenues ⁽²⁾	2,643,402	1,733,503	1,010,264
Third-party cost	(11,530)	(7,720)	(4,476)
Inter-company cost	—	(202)	(295)
Third-party expenses	(1,275,066)	(1,611,040)	(581,445)
Inter-company expenses	(68,874)	(4,721)	—
Other income	1,099,921	307,888	88,511
Income before income tax	2,391,229	441,313	548,732
Income tax expense	(244,363)	(148,040)	(137,496)
Net income	2,146,866	293,273	411,236
Net income attributable to ordinary shareholders of Li Auto Inc.	2,146,866	293,273	411,236

	For the Year Ended December 31,		
	2023	2024	2025
Net cash provided by inter-company transactions ⁽³⁾	2,643,402	1,733,503	1,010,264
Net cash used in transactions with external entities	(7,593,022)	(692,505)	(619,752)
Net cash (used in)/provided by operating activities	(4,949,620)	1,040,998	390,512
Net cash (used in)/provided by transactions with external entities	(2,087,758)	7,658,640	(1,215,019)
Net cash (used in)/provided by investing activities	(2,087,758)	7,658,640	(1,215,019)
Net cash provided by/(used in) inter-company transactions	15,279,213	(32,677,074)	(1,509,940)
Other financing activities with external entities	(500,000)	—	—
Net cash provided by/(used in) financing activities	14,779,213	(32,677,074)	(1,509,940)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	481,305	(2,656)	2,439
Net change in cash, cash equivalents and restricted cash	8,223,140	(23,980,092)	(2,332,008)
Cash, cash equivalents and restricted cash at beginning of the year	19,507,001	27,730,141	3,750,049
Cash, cash equivalents and restricted cash at end of the year	27,730,141	3,750,049	1,418,041

The Company's involvement with the VIEs is through the contractual arrangements disclosed in Note 1(c). All recognized assets held by the VIEs are disclosed in the table above.

Notes:

- (1) The amounts due from Group companies represent the funds provided by the consolidated VIEs to the Group companies. The amounts due to Group companies mainly represent the funds provided by Group companies to the consolidated VIEs and the operating payables resulting from the technical service fees charged by WFOE.
- (2) Inter-company revenues mainly result from service fees.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

1. Organization and Nature of Operations (Continued)

(d) Risks in relations to the VIE structure (continued)

- (3) For the years ended December 31, 2023, 2024, and 2025, cash paid by subsidiaries to VIEs mainly for certain service fees were RMB2,643,402, RMB1,733,503 and RMB1,010,264, respectively. For the years ended December 31, 2023, 2024, and 2025, no management fees were paid by VIEs to WFOE as of December 31, 2025 (pursuant to each management fee arrangement with the VIEs).

As a result of the contractual arrangements between Wheels Technology, the VIEs and the VIEs' shareholders, Wheels Technology has a controlling financial interest and is the primary beneficiary (pursuant to ASC 810 "Consolidation") of the Group's consolidated VIEs and the VIEs' subsidiaries and can have assets transferred out of such VIEs and VIEs' subsidiaries without restriction. Therefore, it is considered that there is no asset in the Group's VIEs and the VIEs' subsidiaries that can be used only to settle their obligations except for paid-in capital, additional paid-in capital and PRC statutory reserves of the Group's consolidated VIEs and VIEs' subsidiaries amounting to RMB6,495,347 and RMB6,611,273 as of December 31, 2024 and 2025, respectively. As the Group's consolidated VIEs and VIEs' subsidiaries are incorporated as limited liability companies under the PRC Company Law, the creditors do not have recourse to the general credit of Wheels Technology for all the liabilities of the Group's consolidated VIEs and VIEs' subsidiaries. The retained earnings of the Group's consolidated VIEs and VIEs' subsidiaries was RMB1,749,425 and RMB2,160,032 as of December 31, 2024 and 2025, respectively.

Currently there is no contractual arrangement that could require the Company, Wheels Technology or other subsidiaries of the Company to provide additional financial support to the Group's consolidated VIEs and VIEs' subsidiaries. As the Company is conducting certain businesses in the PRC through the consolidated VIEs and VIEs' subsidiaries, the Company may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Significant accounting policies followed by the Group in the preparation of its accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and the VIEs' subsidiaries for which the Company is the ultimate primary beneficiary.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to appoint or remove the majority of the members of the board of directors (the "Board"); to cast majority of votes at the meeting of the Board or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has established a controlling financial interest (as defined in ASC 810 "Consolidation") and is able to direct the activities and derive the economic benefits of the entity. Accordingly, the Company is considered the primary beneficiary of each VIE and consolidates each entity in accordance with U.S. GAAP.

All significant transactions and balances between the Company, its subsidiaries, the VIEs and the VIEs' subsidiaries have been eliminated upon consolidation.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(c) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenue and expenses during the reported period in the consolidated financial statements and accompanying notes.

Significant accounting estimates reflected in the Group's consolidated financial statements, to the extent applicable, mainly include, but are not limited to, standalone selling price of each distinct performance obligation in revenue recognition and determination of the amortization period of these obligations, the determination of share-based compensation expenses, fair value of investments, useful lives and assessment for impairment of long-lived assets and intangible assets, inventory valuation for excess and obsolete inventories, lower of cost and net realizable value of inventories, losses on purchase commitments relating to inventory, product warranties, determination of vendor and customer rebates and valuation allowance for deferred tax assets. Actual results could differ from these estimates under different assumptions and conditions.

(d) Functional currency and foreign currency translation

The Group's reporting currency is the Renminbi ("RMB"). The functional currencies of the Company and its subsidiaries which are incorporated in Hong Kong and Singapore are United States dollars ("US\$"). The Company's subsidiaries, the VIEs and the VIEs' subsidiaries with operations in Chinese mainland and other jurisdictions generally use their respective local currencies as their functional currencies. The determination of the respective functional currency is based on the criteria set out by ASC 830 "Foreign Currency Matters".

Transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the applicable exchange rates at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are measured using the exchange rates at the dates of the initial transactions. Exchange gains or losses arising from foreign currency transactions are included in the consolidated statements of comprehensive income as "Others, net".

The financial statements of the Group's entities of which the functional currency is not RMB are translated from their respective functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB at the exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Income and expense items are translated into RMB using the periodic average exchange rates. The foreign currency translation adjustments are recorded in accumulated other comprehensive (loss)/ income as a component of shareholders' equity.

(e) Convenience translation

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive income and consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2025 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.9931, representing the exchange rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board on December 31, 2025. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US\$ at that rate, or at any other rate.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(f) Cash, cash equivalents and restricted cash

Cash and cash equivalents represent cash on hand, cash in bank, time deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

Cash that is restricted as to withdrawal for use or pledged as security is reported as “Restricted cash” in the consolidated balance sheets.

(g) Time deposits and short-term investments

Time deposits are those balances placed with the banks. These deposits that have original maturities longer than three months but less than one year are classified as short-term time deposits which are reflected in the consolidated balance sheets as “Time deposits and short-term investments”, while the balances with original maturities longer than one year are classified as long-term time deposits which are reflected in the consolidated balance sheets as “Long-term investments”. The time deposits have a fixed interest rate return and the Group has the intent and ability to hold the deposits to maturity. Time deposits are recorded at amortized cost which approximates fair value.

Short-term investments are investments in financial instruments with variable interest rates. These financial instruments which have maturity dates within one year are classified as short-term investments and are reflected in the consolidated balance sheets as “Time deposits and short-term investments”, while those financial instruments which have maturity dates longer than one year are classified as “Long-term investments” in the consolidated balance sheets. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive income as “Interest income and investment income, net”.

(h) Trade receivable and current expected credit losses

Trade receivable primarily includes commission service fee receivables derived from insurance companies and banks (the Group earns such fees in facilitating customer use of services offered by these entities). The Group provides an allowance against trade receivable based on the expected credit loss approach and writes off trade receivable when they are deemed uncollectible. No material allowance for credit loss on trade receivable was recognized for the years ended December 31, 2023, 2024 and 2025.

(i) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is calculated on the standard cost basis and includes all costs to acquire and other costs to bring the inventories to their present location and condition, which approximates actual cost using the weighted average method. The Group records inventory write-downs for excess or obsolete inventories based upon assumptions on current and future demand forecasts. If the inventory on hand is in excess of future demand forecast, the excess amounts are written off. The Group also reviews inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires the determination of the estimated selling price of the vehicles less the estimated cost to convert inventory on hand into a finished product. Once inventory is written down, a new, lower cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis after the fiscal year-end. The Group recognized inventory write-downs of RMB131,769, RMB129,964 and RMB151,327 and net losses on inventory purchase commitment of RMB104,971, RMB205,976 and RMB91,680 for the years ended December 31, 2023, 2024 and 2025, respectively.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)**(j) Property, plant and equipment, net**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Property, plant and equipment are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over their estimated useful lives on a straight-line basis or using the units-of-production method, as appropriate. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Direct costs that are related to the construction of property, plant and equipment and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Interest expense on specific outstanding debt is capitalized during the period of significant capital asset construction. Capitalized interest expense on construction-in-progress is included within property, plant and equipment and is amortized over the life of the related assets. Interest costs capitalized for the years ended December 31, 2023, 2024 and 2025 were insignificant. Construction in progress is transferred to specific property, plant and equipment and the depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives are as follows:

	Useful Lives
Building and building improvements	5 to 20 years
Production machineries, facilities and equipment	2 to 10 years
Motor vehicles	2 to 4 years
Mold and tooling	Unit-of-production
Leasehold improvements	Shorter of the estimated useful life or lease term

The cost of maintenance and repairs is expensed as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment is capitalized as additions to the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in the consolidated statements of comprehensive income as "Other operating income, net".

The Group reviews the estimated useful lives and units-of-production for depreciation of its property, plant and equipment on an ongoing basis. In evaluating useful lives and units-of-production, the Group considers how long-lived assets will remain functionally efficient and effective, and the assets' estimated total service capability, given levels of production, competitive factors, and the economic environment. If the assessment indicates that the assets will continue to be used for a shorter or longer period than previously anticipated, or the estimated level of production changes, the useful life or unit-of-production of the assets is revised, resulting in a change in estimate. Changes in estimates are accounted for on a prospective basis by depreciating the assets' current carrying values over their revised remaining useful lives or revised units-of-production. For the year ended December 31, 2025, the Group completed an assessment of the estimated units - of - production of certain mold and tooling, which can only be used for production of certain vehicle products. The Company's assessment in 2025, which considered the cessation or upgrade of certain vehicle production, resulted in the Company changing its estimates of the production volume of certain mold and tooling. As a result of these changes in estimates, which are accounted for on a prospective basis, and the Group recorded an increase in depreciation expense of RMB851,457 for the year ended December 31, 2025.

(k) Intangible assets, net

Finite-lived intangible assets are carried at cost less accumulated amortization and impairment, if any. Finite-lived intangible assets are amortized using the straight-line method over the estimated useful lives as below:

	Useful Lives
Software, Patents and licenses	2 to 10 years

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(k) Intangible assets, net (continued)

The Group estimates the useful life of the software and patents based on the contract terms, expected technical obsolescence and innovations and industry experience of such intangible assets.

Intangible assets that have indefinite useful life represent the automotive manufacturing permission and the insurance agent license, which are carried at cost less any subsequent impairment loss. The automotive manufacturing permission is necessary to produce the passenger vehicles. No useful life was determined in the contract terms when the Group acquired the automotive manufacturing permission and the insurance agent license. The Group expects that the permission and the license are unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. The Group believes, based upon regulatory precedent, that the automotive manufacturing permission maintenance and required license renewals (as approved by government authorities) are normal activities, thus providing the basis for the indefinite life assumption.

(l) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets and liabilities acquired in a business combination. Goodwill is not amortized but is tested for impairment on an annual basis, as of December 31, or more frequently if events or changes in circumstances indicate that it might be impaired.

The Group first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. If the Group decides, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is mandatory. Otherwise, no further testing is required. The quantitative impairment test consists of a comparison of the fair value of each reporting unit with its carrying amount. Fair value is estimated by the Group using the income approach which is based on the present value of the estimated future cash flows that the reporting unit is expected to generate over its remaining life. Cash flow projections were based on the Group's estimates of revenue growth rates, profitability, and the discount rate. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss equal to the difference will be recorded. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value of each reporting unit. The judgment in estimating the fair value of reporting units includes estimating future cash flows, determining appropriate discount rates and making other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit. No impairment loss of goodwill was recognized for the years ended December 31, 2023, 2024 and 2025.

(m) Impairment of long-lived assets other than goodwill

The Group evaluates property, plant and equipment and intangible assets with definite lives for impairment, whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate the carrying value of an asset (or asset group) may not be recoverable in accordance with ASC 360 "Property, Plant and Equipment". The Group measures the carrying amount of long-lived assets against the estimated undiscounted future cash flows associated with it. An impairment exists when the estimated undiscounted future cash flows are less than the carrying value of the asset (or asset group) being evaluated. Impairment loss is calculated as the amount by which the carrying value of the asset (or asset group) exceeds its fair value. No impairment loss of long-lived assets was recognized for the years ended December 31, 2023, 2024 and 2025.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of long-lived assets other than goodwill (continued)

Intangible assets with indefinite lives are tested for impairment at least annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with ASC 350 “Intangibles-Goodwill and Other”. The Group first performs a qualitative assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. If after performing the qualitative assessment, the Group determines that it is more likely than not that the indefinite-lived intangible asset is impaired, the Group calculates the fair value using a discounted cash flow method of the intangible asset and perform the quantitative impairment test by comparing the fair value of the asset with its carrying amount. Inherent in development of cash flow projections are highly subjective assumptions and estimates derived from a review of the Group’s operating results, business plan forecasts, expected growth rates, and cost of capital, similar to those a market participant would use to assess fair value. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, the Group recognizes an impairment loss in an amount equal to that excess. No impairment loss of indefinite-lived intangible assets was recognized for the years ended December 31, 2023, 2024 and 2025.

(n) Long-term investments

Long-term investments are comprised of investments in publicly traded companies, privately-held companies and private equity funds, as well as long-term time deposits and long-term financial instruments.

Equity investments

Equity securities not accounted for using the equity method are carried at fair value with gains and losses recorded in the consolidated statements of comprehensive income as “Interest income and investment income, net”, according to ASC 321 “Investments — Equity Securities”.

The Group elected to record investments in privately held companies using the measurement alternative at cost, less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments of the same issuer. For equity investments in private equity funds, over which the group does not have the ability to exercise significant influence, are measured using the net asset value per share based on the practical expedient (“NAV practical expedient”) in ASC 820, Fair Value Measurements and Disclosures (“ASC 820”). These equity investments are subject to periodic impairment reviews. The impairment analysis considers both qualitative and quantitative factors that may have a significant effect on the fair value of these equity securities.

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level I of fair value measurements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(n) Long-term investments (continued)

Investments in entities over which the Group can exercise significant influence and hold an investment in common shares or in substance common shares (or both) of the investee but do not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC 323 “Investment—Equity Method and Joint Ventures” (“ASC 323”). Under the equity method, the Group initially records its investments at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in long-term investments on the consolidated balance sheets. The Group subsequently adjusts the carrying amount of the investments to recognize its proportionate share of each equity investee’s net income or loss into earnings after the date of investment and its share of equity investee’s movement in accumulated other comprehensive income or loss in other comprehensive (loss)/income. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary. The Group performs an impairment assessment of its equity method investments whenever events or changes in circumstances indicate that the carrying value of the investment may not be fully recoverable. The primary factors the Group considers in its determination include, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information, such as recent financing rounds. The fair value determination, particularly for investments in privately-held companies whose revenue model is still unclear, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments. No impairment of equity method investments was recognized for the years ended December 31, 2023, 2024 and 2025.

Long-term time deposits

Long-term time deposits are those balances placed with the banks with original maturities longer than one year.

Long-term financial instruments

Long-term financial instruments are investments in financial instruments with variable interest rates and maturity dates greater than one year. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Fair value is estimated based on quoted prices provided by financial institutions at the end of each period. Changes in the fair value are reflected in the consolidated statements of comprehensive income as “Interest income and investment income, net.”

(o) Employee benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and VIEs and VIEs’ subsidiaries of the Group make contributions to the government for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. For the years ended December 31, 2023, 2024 and 2025, there are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB1,682,610, RMB2,508,000 and RMB2,694,257 for the years ended December 31, 2023, 2024 and 2025, respectively.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)**(p) Product warranties**

The Group generally provides product warranties mainly on vehicles based on the contracts with its customers at the time of sale of vehicles. The Group accrues a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties and recalls when identified. These estimates are made primarily based on actual claims incurred to date and the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accruals and other current liabilities while the remaining balance is included within other non-current liabilities in the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive income. The Group reevaluates the adequacy of the warranty accrual on a regular basis.

The Group recognizes the benefit from a recovery of the costs associated with the warranty when specifics of the recovery have been agreed with the Group's suppliers and the amount of the recovery is virtually certain.

The Group does not consider standard warranty as being a separate performance obligation as it is intended to provide assurance that a product complies with agreed-upon specifications and is not viewed as a distinct obligation. Accordingly, standard warranty is accounted for in accordance with ASC 460 "Guarantees". The Group also provides extended warranty for certain vehicles. The extended warranty is an incremental service offered to customers and is considered a separate performance obligation distinct from other promises and is accounted for in accordance with ASC 606 "Revenue from Contracts with Customers".

The accrued warranty activity consists of the following:

	For the Year Ended December 31,	
	2024	2025
Accrued warranty at beginning of the year	3,251,112	5,159,787
Warranty cost incurred	(289,592)	(747,272)
Provision for warranty ⁽¹⁾	2,198,267	2,733,383
Accrued warranty at end of the year	5,159,787	7,145,898
Including: Accrued warranty, current	518,441	1,602,897
Accrued warranty, non-current	4,641,346	5,543,001

(1) In November 2025, the Group initiated voluntary recall of 11,411 of 2024 Li MEGA. In addition to product warranties, the Group recognized the estimated costs of the recall in 2025.

(q) Revenue recognition

Revenues of the Group are primarily derived from sales of vehicles, along with multiple distinct performance obligations within each sale of vehicle, as well as other sales and services which are sold or provided separately which include providing non-warranty after-sales services, sales of charging stalls, goods from online store, parts and accessories, sales of Li Plus Membership, commission service, and customer loyalty points offered to customers in connection with the purchase of vehicles.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(g) Revenue recognition (continued)

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made, or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Vehicle sales

The Group generates revenue from sales of vehicles, together with a number of embedded products and services through a contract. There are multiple distinct performance obligations explicitly stated in the sales contracts including sales of vehicles, charging stalls, vehicle internet connection services, over-the-air upgrades (or "OTA upgrades"), Li Plus Membership, certain products and initial owner extended warranty.

The revenue for sales of the vehicles, charging stalls and certain products are recognized at a point in time when the control is transferred to the customer. For the vehicle internet connection service and OTA upgrades, the Group recognizes the revenue using a straight-line method over the service period. As for the initial owner extended warranty, the Group recognizes the revenue over time based on a straight-line method over the extended warranty period initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available.

The Group records a contract liability as deferred revenue regarding the unperformed obligations when cash is received.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(q) Revenue recognition (continued)

After-sales services

The Group also provides the after-sales repair and maintenance services and the revenues are recognized at a point in time when the relevant service is delivered.

Sales of charging stalls, goods from online store, parts and accessories

The Group sells charging stalls, goods from online store, parts and accessories along with vehicle sales or separately. The revenue are recognized at a point in time when the charging stalls are installed and goods, parts and accessories are delivered to the customer.

Sales of Li Plus Membership

The Group also sells the Li Plus Membership to enrich the ownership experience of customers. Total Li Plus Membership fee is allocated to each performance obligation, mainly including after-sales repair and maintenance services and vehicle internet connection services, based on the relative estimated standalone selling price. And the revenue for each performance obligation is recognized either over the service period or at a point in time when the relevant goods or service is delivered or when the membership is expired, whichever is earlier.

Commission service

The Group also facilitates customer use of auto-financing products and services offered by banks and insurance companies. The commission service fee is recognized at a point in time when the relevant facilitation service is rendered.

Customer loyalty points

The Group offers customer loyalty points, which can be used in the Group's online store to redeem the Group's merchandise or services. The Group determines the value of each customer loyalty point based on cost of the Group's merchandise or service that can be obtained through redemption of customer loyalty points.

The Group concludes the customer loyalty points offered to customers in connection with the purchase of vehicles is a material right and is considered as a separate performance obligation. The amount allocated to the customer loyalty points as separate performance obligation is recorded as deferred revenue and revenue is recognized when the customer loyalty points are used or expired.

To encourage user engagement and generate market awareness, customers or users of the Group's mobile application can also obtain customer loyalty points through referring new customers to purchase the vehicles. The Group accounts for such points as selling and marketing expenses with a corresponding liability recorded under accruals and other current liabilities upon the points offering.

Practical expedients and exemptions

The Group follows the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes certain services, including lifetime roadside assistance, are not material performance obligations considering these services are not critical items.

Considering the result of the qualitative assessment and the quantitative estimate, the Group concluded not to assess whether promises are performance obligation if they are immaterial in the context of the contract and the relative stand-alone fair value individually and in aggregate is immaterial to reported consolidated results.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(r) Cost of sales

Vehicle sales

Cost of vehicle sales consists of direct production and material costs, labor costs, manufacturing overhead (including depreciation of assets associated with the production), shipping and logistic costs, reserves for estimated warranty costs and consumption tax and related surcharge. The cost of sales also includes adjustments to warranty costs and charges to write down the carrying value of the inventory when it exceeds its estimated net realizable value or the inventory is either obsolete or in excess of forecasted demand, losses on inventory purchase commitments as well as impairment charges of manufacturing property, plant and equipment.

Other sales and services

Cost of other sales and services generally includes costs associated with providing non-warranty after-sales services, cost of goods from online stores, parts and accessories, costs of charging stalls, vehicle internet connection costs, and shipping and logistic costs.

(s) Research and development expenses

Research and development (“R&D”) expenses are primarily comprised of salaries, bonuses, benefits and share-based compensation expenses for those employees engaged in research, design and development activities, consultation fees, validation and testing fees, and other expenses that are directly attributable to the development of new technologies and products, depreciation and amortization of equipment and software of R&D activities and other expenses. R&D costs are expensed as incurred, except for certain costs associated with developing internal - use software when such costs are incurred within the application development stage of software development.

(t) Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, bonuses, benefits and share-based compensation expenses for sales and marketing personnel, marketing and promotional expenses, rental and other expenses associated with sales and servicing network. Advertising, marketing and promotional expenses are expensed as incurred and totaled RMB1,411,474, RMB1,576,325 and RMB1,601,474 for the years ended December 31, 2023, 2024 and 2025, respectively.

(u) General and administrative expenses

General and administrative expenses consist primarily of salaries, bonuses, benefits and share-based compensation expenses for employees involved in general corporate functions, professional service fees, depreciation and amortization expenses, rental and other general corporate related expenses.

(v) Government grants

The Group receives government subsidies from certain local governments. The Group’s government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has provided for a specific purpose, such as research and development purpose, construction of production plants and facilities related to manufacturing base. Other subsidies are the subsidies that the local government has not specified its purpose for and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(v) Government grants (continued)

The government subsidies are recorded when received with no further conditions to be met or certain operating conditions are met for which the grants are intended to compensate. Government subsidies are recognized as a deduction of the carrying amount of the asset or as a reduction of specific costs and expenses for which the grants are intended to compensate when conditions are met.

As of December 31, 2024 and 2025, deferred government grants balance of RMB538,904 and RMB476,047 are recorded in “Accruals and other current liabilities” and “Other non-current liabilities” in the Group’s consolidated balance sheets. For the years ended December 31, 2023, 2024 and 2025, the Group recognized government grants of approximately RMB1,080,373, RMB1,728,877 and RMB1,609,881, respectively.

(w) Fair value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be either recorded or disclosed at fair value, the Group considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rates and currency rates.

(x) Share-based compensation

The Company grants share options and RSUs to eligible employees, directors and consultants and accounts for share-based compensation in accordance with ASC 718 “Compensation-Stock Compensation”.

Employees’ share-based awards granted with service conditions and performance condition, are measured at the grant date fair value. Employees’ share-based awards granted with only service conditions are recognized as expenses over the vesting period, using the graded vesting method, net of estimated forfeitures. For performance-based awards, share-based compensation expense is recognized over the expected performance achievement period as the achievement of each performance condition becomes probable.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(x) Share-based compensation (continued)

A change in the terms or conditions of a share-based award, or cancellation of a share-based award accompanied by the concurrent grant of a replacement award is accounted for as a modification (that is, an exchange of the original award for a new award), unless the award's fair value, vesting conditions, and classification as an equity instrument are the same as immediately before and after the change. The compensation costs associated with the modified awards are recognized if either the original vesting condition or the new vesting condition is achieved. The Group recognizes incremental compensation cost for an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

The binomial option-pricing model is used to measure the fair value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rates and expected dividends.

(y) Taxation

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740 "Income Tax". Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive income as "Income tax benefit/(expense)" in the period of change. The determination of the realizability of deferred tax assets requires judgment in assessing the likelihood of future tax consequences. A number of factors are evaluated in considering whether there is evidence that it is more likely than not that the deferred tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, and tax planning strategies. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

The Group records liabilities related to uncertain tax positions when, despite the Group's belief that the Group's tax return positions are supportable, the Group believes that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense.

(z) Leases

The Group accounts for leases in accordance with ASC 842 "Leases" ("ASC 842"), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(z) Leases (continued)

The Group determines if a contract contains a lease based on whether it has the right to obtain substantially all of the economic benefits from the use of an identified asset which the Group does not own and whether it has the right to direct the use of an identified asset in exchange for consideration. The Group has lease agreements with lease and non-lease components, and has elected to utilize the practical expedient to account for the non-lease components together with the associated lease component as a single combined lease component. Right-of-use assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Right-of-use assets are recognized as the amount of the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is the Group's incremental borrowing rate ("IBR"), because the interest rate implicit in most of the Group's leases is not readily determinable. The IBR is a hypothetical rate based on the Group's understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments or in-substance fixed payments are included in the Group's lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments are incurred.

The Group's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. The Group has elected not to apply the recognition requirements of ASC 842 to short-term leases, as these leases have a lease term of 12 months or less at commencement date of the lease and do not include options to purchase or renew that the Group is reasonably certain to exercise.

Operating leases are included in operating lease right-of-use assets, current and non-current operating lease liabilities on the Group's consolidated balance sheets. Finance lease assets are included in property, plant and equipment, net and the corresponding finance lease liabilities are included in current and non-current finance lease liabilities on the Group's consolidated balance sheets.

In a sale and leaseback transaction, one party (the seller-lessee) sells an asset it owns to another party (the buyer-lessor) and simultaneously leases back all or a portion of the same asset for all, or part of, the asset's remaining economic life. The seller-lessee transfers legal ownership of the asset to the buyer-lessor in exchange for consideration, and then makes periodic rental payments to the buyer-lessor to retain the use of the asset. The Group applies requirements in ASC 606 "Revenue from contracts with customers" when determining whether the transfer of an asset shall be accounted for as a sale of the asset.

An option for the seller-lessee to repurchase the asset would preclude accounting for the transfer of the asset as a sale of the asset unless both of the following criteria are met:

- a. The exercise price of the option is the fair value of the asset at the time the option is exercised.
- b. There are alternative assets, substantially the same as the transferred asset, readily available in the marketplace.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

2. Summary of Significant Accounting Policies (Continued)

(aa) Earnings per share

Basic net earnings per share is computed using the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net earnings is not allocated to other participating securities if based on their contractual terms they are not obligated to share in the earnings.

Diluted net earnings per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. Potential ordinary shares include ordinary shares issuable upon the exercise of outstanding share options and vesting of restricted share units by using the treasury stock method and ordinary shares issuable upon the conversion of convertible debt using the if-converted method. Potential ordinary shares are not included in the denominator of the diluted net earnings per share calculation when inclusion of such shares would be anti-dilutive.

(ab) Segment reporting

ASC 280 “Segment Reporting”, establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas, and major customers.

The Group as a one reportable segment derives revenue from sales of vehicles and embedded products and services, as well as other sales and services which are sold or provided separately, which include providing non-warranty after-sales services, sales of charging stalls, goods from online store, parts and accessories, sales of Li Plus Membership and commission service. Based on the criteria established by ASC 280 “Segment Reporting”, chief operating decision maker (“CODM”) has been identified as management committee, comprised of chief executive officer, chief financial officer, and certain other members of management team. CODM regularly reviews entity-wide operating results and reviews consolidated revenues and net income when making decisions about allocating resources and assessing performance of the segment, and hence, the Group has only one reportable segment. The accounting policies of the segment are the same as those described in the summary of significant accounting policies.

The primary measure of segment revenue and profitability for the Group’s operating segment is considered to be consolidated revenue and net income. Significant segment expenses reviewed by the CODM on a regular basis included within net income include cost of sales, research and development expenses, selling, general and administrative expenses which are separately presented on the Group’s consolidated statements of comprehensive income. Other segment items within net income include interest expenses, interest income and investment income, net, others, net and income tax benefit/(expense).

The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group’s long-lived assets are substantially located in the PRC, and the Group’s revenues are substantially derived from the PRC, no geographical segment information is presented. The CODM does not review any information regarding total assets on a reportable segment basis.

For the operating results of segment provided to and reviewed by CODM, please refer to the consolidated statements of comprehensive income.

3. Recent accounting pronouncements

Recently adopted accounting pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires specific disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. This ASU results in the required additional disclosures being included in the consolidated financial statements, once adopted. The Group adopted this ASU on a prospective basis effective January 1, 2025. Refer to Note 21, Taxation for the inclusion of new disclosures required.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

3. Recent Accounting Pronouncements (Continued)

Recently issued accounting pronouncements not yet adopted

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40). The ASU requires the disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of selling expenses. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the consolidated financial statements. Early adoption is also permitted. The Group is in the process of evaluating the impact of the new guidance. This ASU will likely result in the required additional disclosures being included in the Group's consolidated financial statements, once adopted.

In July 2025, the FASB issued ASU No. 2025-05, Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU provides (1) all entities with a practical expedient and (2) entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, as follows. In developing reasonable and supportable forecasts as part of estimating expected credit losses, all entities may elect a practical expedient that assumes that current conditions as of the balance sheet date do not change for the remaining life of the asset. The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group is in the process of evaluating the impact of the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

In September 2025, the FASB issued ASU No. 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40). The ASU removes all references to prescriptive and sequential software development stages (referred to as “project stages”) throughout Subtopic 350-40. Therefore, an entity is required to start capitalizing software costs when both of the following occur: 1) Management has authorized and committed to funding the software project; 2) It is probable that the project will be completed and the software will be used to perform the function intended (referred to as the “probable-to-complete recognition threshold”). In evaluating the probable-to-complete recognition threshold, an entity is required to consider whether there is significant uncertainty associated with the development activities of the software. The amendments in this Update are effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The Group is in the process of evaluating the impact of the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-10, Government Grants (Topic 832). The amendments in this Update establish the accounting for a government grant received by a business entity, including guidance for (1) a grant related to an asset and (2) a grant related to income. The ASU requires that a business entity present a grant related to income and a grant related to an asset for which the deferred income approach is elected as part of earnings either (1) separately under a general heading such as other income or (2) deducted from the related expense. In addition, consistent with current disclosure requirements, it requires that a business entity provide disclosures, including the nature of the government grant received, the accounting policies used to account for the grant, and significant terms and conditions of the grant. The amendments in this Update are effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group is in the process of evaluating the impact of the new guidance and does not expect it to have a significant impact on its consolidated financial statements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

4. Concentration and Risks

(a) Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, time deposits and short-term investments, long-term time deposits and long-term financial instruments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2024 and 2025, most of the Group's cash and cash equivalents, restricted cash, time deposits and short-term investments, long-term time deposits and long-term financial instruments were held by major financial institutions located in the PRC and Hong Kong which management believes are of high credit quality. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in the PRC are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. This Deposit Insurance Regulation would not be effective in providing complete protection for the Group's accounts, as its aggregate deposits are much higher than the compensation limit. However, the Group believes that the risk of failure of any of these financial institutions is remote. The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash, time deposits and short-term investments, long-term time deposits and long-term financial instruments which are held by reputable financial institutions in the jurisdictions where the Company, its subsidiaries and the VIEs and the VIEs' subsidiaries are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality. The Group has no significant concentrations of credit risk with respect to the assets mentioned above.

The Group relies on a limited number of third parties to provide payment processing services ("payment service providers") to collect amounts due from customers. Payment service providers are financial institutions, credit card companies and mobile payment platforms such as Alipay and WeChat Pay, which the Group believes are of high credit quality.

(b) Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of PRC. The Group's cash and cash equivalents, restricted cash, time deposits and short-term investments, long-term time deposits and long-term financial instruments that are subject to such government controls amounted to RMB100,750,399 and RMB79,554,122 as of December 31, 2024 and 2025, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

(c) Foreign currency exchange rate risk

The Group's reporting currency is the Renminbi ("RMB"). The functional currencies of the Company and its subsidiaries which are incorporated in Hong Kong and Singapore are United States dollars ("US\$"). The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. The depreciation of the RMB against the US\$ was approximately 1.7% and 1.5% for the years ended December 31, 2023 and 2024. The appreciation of the RMB against the US\$ was approximately 2.2% for the year ended December 31, 2025. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

(d) Concentration of customers and suppliers

There are no customers nor suppliers from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the years ended December 31, 2023 and 2024. And there are no customers and one supplier from whom revenues or purchases individually represent greater than 10% of the total revenues or the total purchases of the Group for the year ended December 31, 2025.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

5. Time deposits and short-term investments

The Group's time deposits and short-term investments consist of the following:

	As of December 31,	
	2024	2025
Short-term time deposits	40,822,387	38,167,346
Short-term financial instruments	6,082,161	6,164,061
Total	46,904,548	44,331,407

6. Trade receivable, net

An aging analysis of the trade receivable based on the recognition date and net of credit loss, is as follows:

	As of December 31,	
	2024	2025
Within 3 months	75,719	107,501
Between 3 months and 6 months	50,223	9,533
Between 6 months and 1 year	904	2,183
More than 1 year	8,266	606
Total	135,112	119,823

7. Inventories

Inventories consist of the following:

	As of December 31,	
	2024	2025
Finished products		
Vehicles	5,160,670	4,841,667
Other finished products	648,000	826,338
Raw materials and work in process	2,426,473	3,250,309
Inventories	8,235,143	8,918,314
Inventory valuation allowance	(49,539)	(165,875)
Inventories, net	8,185,604	8,752,439

Finished products primarily include vehicles ready for sale, spare parts, goods for online store and accessories.

Raw materials primarily consist of materials for volume production and work in process, mainly including materials in production, which will be transferred into production cost when incurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

8. Property, Plant and Equipment, Net

Property, plant and equipment, net consist of the following:

	As of December 31,	
	2024	2025
Production machineries, facilities and equipment	9,171,888	12,525,627
Mold and tooling	5,297,297	7,285,856
Building and building improvements	4,752,426	6,432,742
Construction in process	3,293,537	921,617
Leasehold improvements	2,803,507	3,387,938
Motor vehicles	2,143,894	2,482,091
Total	27,462,549	33,035,871
Less: Accumulated depreciation	(6,294,080)	(10,233,542)
Less: Accumulated impairment loss	(27,536)	(27,391)
Total property, plant and equipment, net	21,140,933	22,774,938

The Group recorded depreciation expenses of RMB1,758,370, RMB2,994,826 and RMB4,525,501 for the years ended December 31, 2023, 2024 and 2025, respectively.

9. Intangible Assets, Net

Intangible assets, net consist of the following:

	As of December 31,	
	2024	2025
Automotive Manufacturing Permission	647,174	647,174
Insurance Agent License	35,000	35,000
Indefinite-lived intangible assets, net	682,174	682,174
Software	338,044	441,290
Patents and licenses	694	248,825
Finite-lived intangible assets	338,738	690,115
Less: Accumulated amortization		
Software	(105,267)	(150,476)
Patents	(694)	(29,839)
Accumulated amortization	(105,961)	(180,315)
Finite-lived intangible assets, net	232,777	509,800
Total intangible assets, net	914,951	1,191,974

The Group recorded amortization expenses of RMB24,297, RMB28,940 and RMB74,403 for the years ended December 31, 2023, 2024 and 2025, respectively.

As of December 31, 2025, amortization expenses related to intangible assets for future periods are estimated to be as follows:

	For the Year Ending December 31,
2026	161,934
2027	141,673
2028	38,368
2029	37,190
2030 and thereafter	130,635
Total	509,800

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

10. Leases

Operating leases of the Group mainly include land use rights and leases of offices, retail stores, charging stations and delivery and servicing centers and the finance lease was lease of certain offices and manufacturing base production plants.

The components of lease expenses were as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Lease cost			
Finance lease cost:			
Amortization of assets	—	31,512	36,168
Interest of lease liabilities	—	32,985	19,738
Operating lease cost	1,059,148	1,611,726	1,863,772
Short-term lease cost	108,689	146,184	229,746
Total	<u>1,167,837</u>	<u>1,822,407</u>	<u>2,149,424</u>

Supplemental information related to leases was as follows (in thousands, except lease terms and discount rate):

	For the Year Ended December 31,		
	2023	2024	2025
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows payments for operating leases	1,159,891	1,627,155	1,963,912
Operating cash flows payments for finance leases	—	6,000	56,637
Financing cash flows payments for finance leases	—	—	664,038
Right-of-use assets obtained in exchange for lease liabilities:			
Right-of-use assets obtained in exchange for new operating lease liabilities	3,010,986	3,381,451	2,321,749

	As of December 31,	
	2024	2025
Operating Leases		
Land use rights, net	1,521,107	1,509,017
Operating lease right-of-use assets, net (excluding land use rights)	6,802,856	7,590,296
Total operating lease right-of-use assets, net	<u>8,323,963</u>	<u>9,099,313</u>
Operating lease liabilities, current	1,438,092	1,690,356
Operating lease liabilities, non-current	5,735,738	6,258,957
Total operating lease liabilities	<u>7,173,830</u>	<u>7,949,313</u>

	As of December 31,	
	2024	2025
Finance Leases		
Property, plant and equipment, net	759,259	282,080
Total finance lease assets, net	<u>759,259</u>	<u>282,080</u>
Finance lease liabilities, current	95,205	—
Finance lease liabilities, non-current	642,984	348,506
Total finance lease liabilities	<u>738,189</u>	<u>348,506</u>

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

10. Leases (Continued)

	As of December 31,	
	2024	2025
Weighted-average remaining lease term		
Land use rights	45 years	44 years
Operating leases	7 years	7 years
Finance leases	4 years	3 years
Weighted-average discount rate		
Land use rights	3.3 %	3.3 %
Operating leases	4.8 %	3.9 %
Finance leases	6.9 %	3.3 %

Maturities of lease liabilities were as follows:

	For the Year Ending December 31,	
	Operating Leases	Finance Leases
2026	1,944,216	—
2027	1,565,223	—
2028	1,371,380	408,642
2029	1,074,899	—
2030	838,734	—
Thereafter	2,187,470	—
Total undiscounted lease payments	8,981,922	408,642
Less: imputed interest	(1,032,609)	(60,136)
Total lease liabilities	7,949,313	348,506

11. Long-term Investments

The Group's long-term investments consist of the following:

	As of December 31,	
	2024	2025
Equity investments:		
Equity securities without readily determinable fair values using the measurement alternative	708,124	742,314
Equity securities without readily determinable fair values using the NAV practical expedient	72,434	91,464
Equity securities with readily determinable fair values	140,985	14,894
Equity investments accounted for using the equity method	1,354	—
Total	922,897	848,672

Equity securities without readily determinable fair values

Equity securities without readily determinable fair values represent investments in privately-held companies and private equity funds with no readily determinable fair value.

No impairment loss of equity securities without readily determinable fair values were recorded in "Interest income and investment income, net" in the consolidated statements of comprehensive income for the years ended December 31, 2023, 2024 and 2025.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

11. Long-term Investments (Continued)

Equity securities with readily determinable fair values

Equity securities with readily determinable fair values are marketable equity securities which are publicly traded stocks measured at fair value.

For equity securities with readily determinable fair values, net unrealized gains of RMB270,468, net unrealized losses of RMB150,880, and net unrealized losses of RMB29,073 were recorded for the years ended December 31, 2023, 2024 and 2025, respectively, in “Interest income and investment income, net” in the consolidated statements of comprehensive income.

12. Borrowings

Borrowings consist of the following:

	As of December 31,	
	2024	2025
Short-term borrowings:		
Convertible debt ⁽¹⁾	—	5,982,366
Secured borrowing ⁽²⁾	181,102	235,379
Credit guaranteed borrowing ⁽³⁾	100,000	—
Total short-term borrowings⁽⁴⁾	281,102	6,217,745
	As of December 31,	
	2024	2025
Long-term borrowings:		
Secured borrowing ⁽²⁾	1,896,701	3,299,203
Convertible debt ⁽¹⁾	6,254,897	—
Total long-term borrowings	8,151,598	3,299,203
Total borrowings	8,432,700	9,516,948

- (1) In April 2021, the Company issued and sold convertible debt in an aggregate principal of US\$862,500 through a private placement. The convertible debt will mature in 2028, bearing the interest at a rate of 0.25% per annum. The related interest is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on November 1, 2021. The net proceeds from this offering were approximately US\$844,876, equivalent to RMB5,533,238.

The convertible debt may be converted, at an initial conversion rate of 35.2818 American depositary shares (the “ADSs”) per US\$1,000 principal amount (which represents an initial conversion price of approximately US\$28.34 per ADS) at each holder’s option at any time on or after November 1, 2027, until the close of business on the second scheduled trading day immediately preceding the maturity date of May 1, 2028. Upon conversion, the Company will pay or deliver to such converting holders, as the case may be, either cash, ADSs, or a combination of cash and ADSs, at its election.

The initial conversion price of US\$28.34 per ADS, or US\$14.17 per Class A ordinary share (the latter represents the effective cost per Class A Ordinary Share), represents a discount of approximately 26.56% to the maximum Public Offer Price of HK\$150.00 per Class A Ordinary Share. The initial conversion rate may be adjusted in certain circumstances, including but not limited to when the Company effects a share split or share combination. As of December 31, 2025, no adjustment had been made to the initial conversion rate.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

12. Borrowings (Continued)

Holders of the convertible debt have the rights to require the Company to repurchase all or a portion for their convertible debt on May 1, 2024 and May 1, 2026 or in the event of certain fundamental changes, at a repurchase price equal to 100% of the principal amount of the convertible debt to be repurchased, plus accrued and unpaid interest. As of December 31, 2025, none were surrendered for repurchase pursuant to holders' put right and US\$862,500 aggregate principal amount of the convertible debt remain outstanding and continue to be subject to the existing terms of the convertible debt.

The Company accounted for the convertible debt as a single instrument measured at its amortized cost as borrowings on the consolidated balance sheets. The convertible debt was classified as short-term or long-term borrowing based on the length of time between the reporting date and date of early redemption right by the holders. The issuance costs were recorded as an adjustment to the borrowings and are amortized as interest expense using the effective interest method with an effective interest rate of 0.55% per annum over the contractual life to the maturity date (i.e., May 1, 2028). For the years ended December 31, 2023, 2024 and 2025, the convertible debt related interest expense was RMB32,657, RMB33,451 and RMB33,547, respectively. As of December 31, 2024 and 2025, the principal amount of the convertible debt was RMB6,316,519 and RMB6,023,614, and the unamortized debt issuance cost was RMB61,622 and RMB41,248, respectively.

- (2) As of December 31, 2024, the Group obtained secured borrowing from certain banks with a total principal of RMB 2,077,803. The annual interest rate of these borrowings is approximately 5-year Loan Prime Rate ("LPR") minus 0.80%. The borrowings are repayable in installment according to the agreement, with the last maturity date at June 21, 2034. The borrowings are denominated in RMB.

As of December 31, 2025, the Group obtained secured borrowing from certain banks with a total principal of RMB3,534,582. The annual interest rate of these borrowings ranged from 5-year LPR minus 0.81% to 5-year LPR minus 0.65%. The borrowings are repayable in installment according to the agreement, with the last maturity date ranging from June 21, 2034 to February 13, 2037. The borrowings are denominated in RMB. As of December 31, 2025, a total of RMB6,108,382 was undrawn and available under the secured borrowing.

The borrowings are pledged by certain production plants and land use rights of the Group as of December 31, 2024 and 2025. The borrowings contain covenants which includes limitations on certain asset sales, requirements to maintain current assets and maintain financial assets on the specific account and requirement on certain financial ratios. The Group is in compliance with all of the loan covenants as of December 31, 2025.

- (3) As of December 31, 2024, the Group obtained credit guaranteed borrowing from one bank with a total principal of RMB100,000. The annual interest rate of this borrowing was approximately 1-year LPR minus 1.01%. The maturity date was July 26, 2025. The borrowing is denominated in RMB. As of December 31, 2025, these borrowings were fully repaid upon maturity.

The borrowings are guaranteed by a subsidiary of the Group as of December 31, 2024. No credit guaranteed borrowing as of December 31, 2024 contain covenants.

- (4) As of December 31, 2024 and 2025, the weighted average interest rate on short-term borrowings excluding convertible debt was 2.64% and 2.72%.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

12. Borrowings (Continued)

The following table summarizes the aggregate repayment schedule of the Group's borrowings, excluding convertible debt:

	For the Year Ending December 31,
2026	235,379
2027	282,886
2028	429,949
2029	465,171
2030	465,171
Thereafter	1,656,026

13. Trade and Notes Payable

Trade and notes payable consist of the following:

	As of December 31,	
	2024	2025
Trade payable for raw materials	40,041,977	23,713,783
Notes payable ⁽¹⁾	13,554,217	16,865,436
Total	53,596,194	40,579,219

- (1) Certain banks offer supply chain financing channels to the Group's suppliers. In connection with this program, the Group issues notes to participating suppliers which can elect to assign such notes, at a discount, to the banks for payment at or before the maturity of each note. The maturity of each note is consistent with the original supplier payment terms. The Group incurs insignificant bank service fees in connection with this arrangement. All terms related to the Group's payment obligations to participating suppliers (which may be assigned to the banks) remain unchanged as part of this program. The outstanding amount of the Group's supply chain financing channels program as of December 31, 2024 and 2025 were nil and RMB484,607, respectively.

An aging analysis of the trade and notes payable as at December 31, 2024 and 2025 is as follow. The aging analysis is based on the time of recognizing the purchase of materials and goods or accepting services.

	As of December 31,	
	2024	2025
Within 3 months	32,471,247	26,797,558
Between 3 months and 6 months	20,387,075	7,268,802
Between 6 months and 1 year	711,292	6,496,892
More than 1 year	26,580	15,967
Total	53,596,194	40,579,219

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

14. Accruals and Other Current Liabilities

Accruals and other current liabilities consist of the following:

	As of December 31,	
	2024	2025
Payables for purchase of property, plant and equipment	2,194,389	3,756,574
Payables for research and development expenses	1,091,142	1,711,162
Tax payable	2,426,297	1,645,982
Accrued warranty, current	518,441	1,602,897
Salaries and benefits payable	1,739,141	1,227,541
Payables for marketing and promotional expenses	652,140	847,408
Payables for logistics expenses	639,890	598,777
Accrued costs of purchase commitments relating to inventory and technical authorization fee	1,130,994	258,166
Deposits from vendors	114,790	151,552
Advances from customers	8,485	3,935
Other payables	1,881,613	1,608,266
Total	12,397,322	13,412,260

15. Other Non - Current Liabilities

Other non - current liabilities consist of the following:

	As of December 31,	
	2024	2025
Accrued warranty, non-current	4,641,346	5,543,001
Payables for purchase of property, plant and equipment, non-current	536,514	270,650
Deferred government grants, non-current	451,736	437,952
Other payables	67,354	133,767
Total	5,696,950	6,385,370

16. Revenue Disaggregation

Revenue by timing of recognition is analyzed as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Revenue recognized at a point in time	123,623,481	144,108,738	111,902,293
Including: Vehicle sales	120,294,667	138,538,092	106,683,100
Other sales and services	3,328,814	5,570,646	5,219,193
Revenue recognized over time	227,851	351,208	410,218
Total	123,851,332	144,459,946	112,312,511

Revenues arising from vehicle sales are recognized at a point in time when the control of the products are transferred to the customers. Revenues from other sales and services which are recognized at a point in time primarily include (i) non-warranty after-sales services, (ii) sales of charging stalls, goods from online store, parts and accessories, (iii) certain services under the Li Plus Membership, and (iv) commission service fee. In such instances, revenues are recognized at a point in time when the control of the products and services are transferred to the customers.

Certain revenue arising from other sales and services is recognized over time, primarily including vehicle internet connection services, OTA upgrades and certain services under the Li Plus Membership.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

17. Deferred Revenue

The following table includes a rollforward of the deferred revenue balance for each year presented:

	For the Year Ended December 31,	
	2024	2025
Deferred revenue—at beginning of the year	2,337,761	2,117,020
Additions	142,727,719	110,110,409
Recognition	(142,948,460)	(109,981,266)
Deferred revenue—at end of the year	2,117,020	2,246,163
Including: Deferred revenue, current	1,396,489	1,621,429
Deferred revenue, non-current	720,531	624,734

Deferred revenue represents contract liabilities allocated to the performance obligations that are unsatisfied, or partially satisfied which primarily resulted from undelivered vehicles, customer loyalty points offered in connection with the purchase of our vehicles, uninstalled charging stalls and other performance obligations identified in the vehicle sales contracts. As of December 31, 2024, the Group's total deferred revenue was RMB2,117,020, of which RMB1,329,560 was recognized as revenues for the year ended December 31, 2025. Of the total deferred revenue balance as of December 31, 2025, RMB1,621,429 is expected to be recognized in the next 12 months. The remaining balance of RMB624,734 will be recognized at the time of transfer of control of the product and services or over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation.

18. Ordinary Shares

In April 2017, the Company was incorporated as a limited liability company in the Cayman Islands. In July 2019, the Company became the holding company of the Group pursuant to the reorganization in 2019. In connection with the reorganization and issuance of Series C convertible redeemable preferred shares, 3,830,157,186 authorized shares of the Company were designated as Class A Ordinary Shares, and 240,000,000 authorized shares were designated as Class B ordinary shares. Each Class A Ordinary Share is entitled to one vote, and is not convertible into Class B Ordinary Shares under any circumstances. Each Class B Ordinary Share is entitled to ten votes, subject to certain conditions, and is convertible into one Class A Ordinary Share at any time by the holder thereof.

In August 2020, the Company completed its US IPO and 190,000,000 Class A Ordinary Shares were issued with proceeds of US\$1,042,137, net of underwriter commissions and relevant offering expenses. Concurrently with completion of the IPO, 66,086,955 Class A Ordinary Shares were issued for a consideration of US\$380,000. On August 7, 2020, the Company issued an additional 28,500,000 Class A Ordinary Shares upon the exercise of underwriters' over-allotment option for a consideration of US\$157,320.

All of the Preferred Shares (other than those beneficially owned by Mr. Li Xiang, the founder and the CEO of the Company) were automatically converted to 1,045,789,275 Class A Ordinary Shares immediately upon the completion of the IPO. Concurrently, all Preferred Shares beneficially owned by Mr. Li Xiang were automatically converted to 115,812,080 Class B Ordinary Shares.

In December 2020, the Company completed a follow-on offering of 108,100,000 Class A Ordinary Shares, which included 14,100,000 Class A Ordinary Shares issued in connection with the underwriters' full exercise of their over-allotment option.

In May 2021, the Company issued 108,557,400 Class B Ordinary Shares as treasury shares to Mr. Li Xiang, the Company's founder and chief executive officer, pursuant to the Company's 2021 Share Incentive Plan.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

18. Ordinary Shares (Continued)

In August 2021, the Company completed its HK IPO and 100,000,000 Class A Ordinary Shares were issued with proceeds of HK\$11,633,130, net of underwriter commissions and relevant offering expenses. In September 2021, the Company issued an additional 13,869,700 Class A Ordinary Shares upon the exercise of underwriters' over-allotment option for a consideration of HK\$1,634,462.

On June 28, 2022, the Company filed a prospectus supplement in the United States to sell up to an aggregate of US\$2,000,000 of ADSs, each representing two Class A ordinary shares, through the ATM Offering on the Nasdaq Global Select Market. On September 27, 2023, the Company terminated the equity distribution agreement dated June 28, 2022 between the Company and certain sales agents in connection with the ATM Offering, effective immediately after the close of business on the same day, U.S. Eastern Time. The Company terminated the ATM Offering because it does not intend to further raise additional capital or sell additional securities under the ATM Offering. Under the ATM Offering, a total of 27,004,858 Class A ordinary shares were legally issued and the proceeds has been received by the Company.

As of December 31, 2025, the Company issued 82,162,000 Class A Ordinary Shares as treasury shares for future exercise of share options and vesting of RSUs. As of December 31, 2025, 37,540,734 share options that fulfilled the vesting conditions were exercised and 39,963,496 RSUs that fulfilled the vesting conditions were vested.

As of December 31, 2024 and 2025, the Company had issued and outstanding ordinary shares of 2,007,706,522 and 2,027,667,098.

19. Earnings Per Share

Basic and diluted net earnings per share have been calculated in accordance with ASC 260 "Earnings Per Share" for the years ended December 31, 2023, 2024 and 2025 as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Numerator:			
Net income attributable to ordinary shareholders of Li Auto Inc.	11,704,133	8,032,350	1,124,438
Dilution effect arising from convertible debt	32,657	33,451	33,547
Net income attributable to ordinary shareholders of Li Auto Inc. for computing diluted net earnings per share	11,736,790	8,065,801	1,157,985
Denominator:			
Weighted average ordinary shares outstanding—basic	1,967,863,759	1,993,191,951	2,015,070,194
Effects of dilutive securities			
Options and RSUs	86,651,528	75,220,374	66,796,228
Convertible debt	60,861,105	60,861,105	60,861,105
Weighted average ordinary shares outstanding—diluted	<u>2,115,376,392</u>	<u>2,129,273,430</u>	<u>2,142,727,527</u>
Basic net earnings per share attributable to ordinary shareholders of Li Auto Inc.	5.95	4.03	0.56
Diluted net earnings per share attributable to ordinary shareholders of Li Auto Inc.	5.55	3.79	0.54

For the years ended December 31, 2023, 2024 and 2025, the Company had ordinary equivalent shares, including options and RSUs granted and convertible debt issued. For the years ended December 31, 2024 and 2025, options and RSUs of 2,067,928 and 7,781,892 on a weighted average basis were respectively excluded from the calculation of diluted net earnings per share because of their anti-dilutive effect.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

20. Share-based Compensation

Compensation expenses recognized for share-based awards granted by the Company were as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Research and development expenses	1,552,421	1,257,921	782,917
Selling, general and administrative expenses	779,637	1,333,256	438,841
Cost of sales	46,631	39,728	35,996
Total	2,378,689	2,630,905	1,257,754

(i) 2019 and 2020 Share Incentive Plan

In July 2019, the Group adopted the 2019 Share Incentive Plan (the “2019 Plan”), which allows the Company to grant options and RSUs of the Group to its employees, directors and consultants. As of December 31, 2025, the maximum number of Class A ordinary shares that may be issued under the 2019 Plan is 141,083,452.

The Group began to grant share options to employees from 2015. In conjunction with the Company’s Reorganization in July 2019, the Group transferred share options from Beijing CHJ to the Company according to the 2019 Plan.

In July 2020, the Group adopted the 2020 Share Incentive Plan (the “2020 Plan”), which allows the Company to grant options and RSUs of the Group to its employees, directors and consultants. As of December 31, 2025, the maximum number of Class A ordinary shares that may be issued under the 2020 Plan is 165,696,625. The Company commenced to grant options and RSUs from January 1, 2021 under the 2020 plan.

The contractual term of share - based awards under 2019 Plan and 2020 Plan is generally ten years from the grant date and the options and RSUs granted have service and performance conditions. The options and RSUs are generally scheduled to be vested over five years, one-fifth of the awards shall be vested after one service year from the vesting commencement date.

In 2024, the Group made an amendment to the vesting condition of outstanding share-based awards under the 2019 Plan and 2020 Plan, from only service condition to vesting be subject to service condition and the achievement of certain performance conditions. The amendment changes the expectation that the award will ultimately vest and no incremental fair value was recognized upon modification. If the original vesting conditions are satisfied, compensation cost equal to the award’s original grant-date fair value would be recognized, regardless of whether the modified conditions are satisfied. In 2024, the Group also extended the contractual term of certain share-based awards under the 2019 Plan and 2020 Plan. These modifications did not have material impact to the consolidated financial statements.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

20. Share-based Compensation (Continued)

(i) 2019 and 2020 Share Incentive Plan (continued)

(a) The following table summarizes the Company's share option activity under the 2019 Plan and 2020 Plan for the years ended December 31, 2023, 2024 and 2025:

	Number of Options	Weighted Average Exercise Price US\$	Weighted Average Remaining Contractual Life In Years	Aggregate Intrinsic Value US\$
Outstanding as of December 31, 2022	74,336,244	0.10	5.56	750,796
Granted	—	—		
Exercised	(10,519,982)	0.10		
Forfeited	(3,508,800)	0.10		
Outstanding as of December 31, 2023	<u>60,307,462</u>	<u>0.10</u>	<u>4.41</u>	<u>1,122,594</u>
Granted	—	—		
Exercised	(8,109,300)	0.10		
Forfeited	(2,078,800)	0.10		
Outstanding as of December 31, 2024	<u>50,119,362</u>	<u>0.10</u>	<u>4.81</u>	<u>596,170</u>
Granted	—	—		
Exercised	(6,705,196)	0.10		
Forfeited	(355,800)	0.10		
Outstanding as of December 31, 2025	<u>43,058,366</u>	<u>0.10</u>	<u>4.01</u>	<u>360,183</u>
Vested and expected to vest as of December 31, 2024	49,345,755	0.10	4.79	586,968
Exercisable as of December 31, 2024	41,387,162	0.10	4.51	492,300
Vested and expected to vest as of December 31, 2025	42,768,792	0.10	4.00	357,761
Exercisable as of December 31, 2025	39,274,166	0.10	3.88	328,528

The aggregate intrinsic value in the table above is calculated as the difference between the closing stock price on the last trading day of the period and the exercise price of the underlying awards.

Total intrinsic value of options exercised for the years ended December 31, 2023, 2024 and 2025 was US\$174,170, US\$120,193 and US\$87,615, respectively. The total fair value of options vested during the years ended December 31, 2023, 2024 and 2025 was US\$95,174, US\$80,044 and US\$65,738, respectively.

No share options were granted for the years ended December 31, 2023, 2024 and 2025.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

20. Share-based Compensation (Continued)

(i) 2019 and 2020 Share Incentive Plan (continued)

As of December 31, 2025, there were US\$3,274 of unrecognized compensation expenses related to the share options granted to the Group's employees, which are expected to be recognized over a weighted-average period of 0.50 years and may be adjusted for future changes in forfeitures.

(b) The following table summarizes the Company's RSU activity under the 2019 plan and 2020 Plan for the years ended December 31, 2023, 2024 and 2025:

	Number of Shares	Weighted Average Grant Date Fair Value US\$	Weighted Average Remaining Contractual Life In Years
Unvested as of December 31, 2022	30,993,124	17.20	9.21
Granted	46,992,750	15.53	
Vested	(12,646,762)	15.56	
Forfeited	(3,584,600)	15.79	
Unvested as of December 31, 2023	<u>61,754,512</u>	<u>16.34</u>	<u>9.14</u>
Granted	6,542,020	10.33	
Vested	(13,934,292)	16.08	
Forfeited	(11,285,050)	16.31	
Unvested as of December 31, 2024	<u>43,077,190</u>	<u>15.37</u>	<u>8.39</u>
Granted	12,764,940	9.27	
Vested	(13,255,380)	15.54	
Forfeited	(4,843,730)	14.77	
Unvested as of December 31, 2025	<u>37,743,020</u>	<u>13.33</u>	<u>8.25</u>

The total fair value of the restricted shares vested during the years ended December 31, 2023, 2024 and 2025 was US\$196,799, US\$224,083 and US\$205,995, respectively.

As of December 31, 2025, there was US\$196,450 of unrecognized compensation expense related to RSUs granted to the Group's employees and consultants, which are expected to be recognized over a weighted-average period of 2.11 years and may be adjusted for future changes in forfeitures.

(ii) 2021 Share Incentive Plan

In March 2021, the Group adopted the 2021 Share Incentive Plan (the "2021 Plan"), which granted options to purchase 108,557,400 Class B ordinary shares to Mr. Li Xiang, the Company's founder and chief executive officer. The exercise price of the options is US\$14.63 per share, or US\$29.26 per ADS. The date of expiration for this grant is March 8, 2031. The granted options are subject to performance-based vesting conditions. The granted options are divided into six equal tranches, or 18,092,900 each. The first tranche will become vested when the aggregate number of the Group's vehicle deliveries in any 12 consecutive months exceeds 500,000. The second to sixth tranches will become vested when the aggregate number of vehicle deliveries in any 12 consecutive months exceeds 1,000,000, 1,500,000, 2,000,000, 2,500,000 and 3,000,000, respectively.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

20. Share-based Compensation (Continued)**(ii) 2021 Share Incentive Plan (continued)**

On May 5, 2021, the board of directors of the Company approved to replace the options to purchase 108,557,400 Class B ordinary shares of the Company under the Company's 2021 Share Incentive Plan previously granted to Mr. Li Xiang on March 8, 2021 with the same amount of restricted Class B ordinary shares (the "Award Shares") under the same plan, all of which will become legally vested upon grant on May 5, 2021. However, Mr. Li Xiang has also agreed, undertaken, and covenanted not to transfer or dispose of, directly or indirectly, any interest in the Class B ordinary shares acquired upon vesting of the Award Shares, which are still subject to certain restrictions, terms and performance conditions substantially similar to the vesting conditions of the options being replaced. In addition to the performance conditions, Mr. Li Xiang is required to pay US\$14.63 per share, which is equal to the exercise price of the options being replaced, to have the relevant tranche of the Award Shares released from the restrictions. Mr. Li Xiang also has agreed, undertaken, and covenanted not to cast any vote or claim any dividend paid on any Award Shares before such number of Award Shares are released from the restrictions. Any Award Shares that are not released from the restrictions by March 8, 2031 are subject to compulsory repurchase by the Company at their par value.

In July 2021, all such 108,557,400 Award Shares were converted from Class B ordinary shares (10 votes per share) to Class A ordinary shares (1 vote per share) on one-to-one basis with effect immediately upon the Company's listing on the Main Board of HKEX in August 2021. The modification is solely subjected to satisfy HKEX's requirement from legal perspective. Pursuant to the grant of the Award shares, Mr. Li Xiang has undertaken and covenanted that unless and until, in respect of any tranche of Award Shares, (a) the relevant performance condition has been met and (b) the relevant exercise price (US\$14.63) has been paid, Mr. Li Xiang will not offer, pledge, sell any relating award shares and claim dividend or voting rights in respect of the Award Shares.

For the awards granted to Mr. Li Xiang, which are subject to performance-based vesting conditions, a fixed amount of expenses for each tranche was determined on the grant date. Later, based on assessment of future performance, the Group determines whether each performance condition is deemed probable of achievement and if so, the expected time of achievement. In 2024, the Group fully recognized compensation expenses of US\$89,741 for the first tranche or 18,092,900 restricted shares, as the related performance condition was achieved. For the second to sixth tranches, the Group has not recognized any compensation expenses and compensation expenses of US\$448,704 remains unrecognized as the relevant performance condition is considered not probable of achievement as of December 31, 2025.

The following table summarizes the Company's award shares activity under the 2021 Plan for the years ended December 31, 2023, 2024 and 2025.

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u> US\$	<u>Weighted Average Remaining Contractual Life</u> In Years
December 31, 2022	108,557,400	14.63	8.19
Granted	—	—	—
December 31, 2023	108,557,400	14.63	7.19
Granted	—	—	—
December 31, 2024	108,557,400	14.63	6.19
Granted	—	—	—
December 31, 2025	108,557,400	14.63	5.19

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation

(a) Value added tax (“VAT”)

The Group is subject to VAT rate of 13% for revenue from sales of vehicles, sales of charging stalls, goods from online store, parts and accessories in the PRC, VAT rate of 6% for revenue from provision of commission service in the PRC.

One of the Group’s subsidiaries is subject to 13% VAT for sales of self-developed software products. The subsidiary is entitled to a VAT refund in excess of 3% output VAT on the total VAT payable, after completing the registration with relevant authorities and obtaining a refund approval from local tax bureau.

(b) Income taxes

Cayman Islands

The Company is incorporated in the Cayman Islands and conducts most of its business through its subsidiaries located in Mainland China and Hong Kong. Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

Mainland China

Three, four and four entities in the Group applied preferential enterprise income tax rate of 15% for the years ended December 31, 2023, 2024 and 2025, respectively, being qualified as “high and new technology enterprise” under the PRC Enterprise Income Tax law (the “EIT Law”). The high and new technology enterprise certificate is effective for a period of three years. One entity is in line with China’s Western Region Development Strategy for a preferential enterprise income tax rate of 15% from the year ended December 31, 2023 to the year ending December 31, 2030.

One subsidiary was awarded as a Software Enterprise in March 2022 and was thereby entitled to income tax exemption for two years beginning from its first profitable calendar year since 2022, and a 50% reduction in the standard statutory income tax rate for the subsequent three consecutive years. The subsidiary was also approved as a “National Encouraged Key Software Enterprises” in May 2024 and May 2025. Entities recognized as “National Encouraged Key Software Enterprises” will be exempted from enterprise income tax for the first five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years, and be subject to a preferential income tax rate of 10% after the first five years. Accordingly, the subsidiary was qualified to enjoy the preferential income tax rate of 0% in calendar year 2024. The “National Encouraged Key Software Enterprises” status is subject to annual evaluation and approval by the relevant authorities, and the timing of annual review and approval by the relevant authorities vary from year to year. The related reduction in income tax expense as a result of official approval confirming “National Encouraged Key Software Enterprises” status is accounted for upon receipt of such approval. Therefore, for the calendar year of 2025, the subsidiary applied preferential income tax rate of 12.5% (50% reduction in the standard statutory income tax rate) as a Software Enterprise. Other Chinese companies are subject to enterprise income tax at a uniform rate of 25% as of December 31, 2025.

Under the EIT Law enacted by the National People’s Congress of PRC on March 16, 2007 and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the “beneficial owner” and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with PRC.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation (continued)

(b) Income taxes (continued)

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non - PRC company is located”. Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. Should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%.

According to relevant laws and regulations promulgated by the State Administration of Tax (“STA”) of the PRC, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super R&D Deduction”). The STA of the PRC announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super R&D Deduction until December 31, 2023. The STA of the PRC announced in September 2022 to increase the Super R&D Deduction rate to 200% from October 1, 2022 to December 31, 2022. Subsequently, the STA of the PRC further announced in March 2023 that the Super R&D Deduction rate of 200% continues to be applied from January 1, 2023, until when new announcement is released by STA of the PRC.

Withholding tax on undistributed dividends

According to the current EIT Law and its implementation rules, foreign enterprises, which have no establishment or place in China but derive dividends, interest, rents, royalties and other income (including capital gains) from sources in China or which have an establishment or place in China but the aforementioned incomes are not connected with the establishment or place shall be subject to the PRC withholding tax (“WHT”) at 10% (a further reduced WHT rate may be available according to the applicable double tax treaty or arrangement provided that the foreign enterprise is the tax resident of the jurisdiction where it is located and it is the beneficial owner of the dividends, interest and royalties income).

The Group intends to indefinitely reinvest all the undistributed earnings of PRC subsidiaries and VIEs in China, and does not plan to have any of its PRC subsidiaries to distribute any dividend out of PRC; therefore, no withholding tax is expected to be incurred in the foreseeable future.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries of the Group incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation (Continued)

(b) Income taxes (continued)

Global Anti-base Erosion Rules

The Organisation for Economic Co-operation and Development, or the OECD, published the “Global Anti-Base Erosion Model Rules” (“GloBE”) in 2021, which introduced a global minimum tax of 15% for certain multinational enterprises, or the Pillar Two Rules. Certain jurisdictions in which the Group operates have implemented the Pillar Two Rules. Under the Pillar Two legislation, the Group is liable to pay a top-up tax for the difference between its GloBE effective tax rate in each jurisdiction and the 15% minimum rate. The Group has conducted an assessment of the Pillar Two transitional safe harbour rules and the full Pillar Two rules and made certain current income tax provisions to reflect the impact from the Pillar Two legislation for the year ended December 31, 2025.

Income before income tax for the years presented is as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Mainland China	10,232,260	8,973,646	646,374
Non-Mainland China jurisdictions	219,503	341,978	650,761
Total income before income tax	10,451,763	9,315,624	1,297,135

Composition of income tax (benefit)/expense for the years presented is as follows:

	For the Year Ended December 31,		
	2023	2024	2025
Current income tax expense			
Mainland China	441,098	1,320,074	988,072
Non-Mainland China jurisdictions	5,127	107	95,127
Total current income tax expense	446,225	1,320,181	1,083,199
Deferred income tax benefit			
Mainland China	(1,803,587)	(49,807)	(921,813)
Non-Mainland China jurisdictions	—	—	(3,679)
Total deferred income tax benefit	(1,803,587)	(49,807)	(925,492)
Total income tax (benefit)/expense			
Mainland China	(1,362,489)	1,270,267	66,259
Non-Mainland China jurisdictions	5,127	107	91,448
Total income tax (benefit)/expense	(1,357,362)	1,270,374	157,707

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation (Continued)

(b) Income taxes (continued)

Upon adoption of ASU 2023-09, Improvements to Income Tax Disclosures, as described in Note 3, Recent accounting pronouncements, reconciliations of the income tax expense computed by applying Mainland China statutory income tax rate of 25% to the Group's income before income tax for the year ended December 31, 2025 was as follows (in thousands, except for percentages):

	For the Year Ended December 31, 2025	
	Amount	Percent
Mainland China statutory income tax rate	324,284	25.0 %
Domestic income taxes		
Tax effect of tax-exempt entity and preferential tax rate	(618,638)	(47.7)%
Change in valuation allowance	483,390	37.3 %
Tax effect of Super R&D Deduction	(402,584)	(31.0)%
Share-based compensation expenses and other non-deductible expense	422,068	32.5 %
Other adjustments	24,090	1.9 %
Non-Mainland China tax effects		
Hong Kong		
Non-taxable items	(102,694)	(7.9)%
Pillar Two	86,052	6.6 %
Statutory tax rate difference between Hong Kong and Mainland China	(55,961)	(4.3)%
Other adjustments	2,379	0.2 %
Cayman		
Statutory tax rate difference between Cayman and Mainland China	(7,376)	(0.6)%
Other non-Mainland China jurisdictions	2,697	0.2 %
Income tax expense	157,707	12.2 %

Reconciliations of the income tax (benefit)/expense computed by applying Mainland China statutory income tax rate of 25% to the Group's income before income tax for the years ended December 31, 2023 and 2024 in accordance with the guidance prior to the adoption of ASU 2023-09 was as follows:

	For the Year Ended December 31,	
	2023	2024
Income before income tax	10,451,763	9,315,624
Income tax expense computed at Mainland China statutory income tax rate of 25%	2,612,941	2,328,906
Tax effect of tax-exempt entity and preferential tax rate	(1,613,371)	(797,326)
Tax effect of Super R&D Deduction and others	(1,055,404)	(954,781)
Non-deductible expenses	512,572	611,424
Change in valuation allowance	(1,814,100)	82,151
Income tax (benefit)/expense	(1,357,362)	1,270,374

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation (Continued)

(b) Income taxes (continued)

	For the Year Ended December 31,		
	2023	2024	2025
Tax effect of tax-exempt entity and preferential tax rate	1,613,371	797,326	618,638
Effect of tax holiday on basic net earnings per share	0.82	0.40	0.31
Effect of tax holiday on diluted net earnings per share	0.76	0.37	0.29

Income taxes paid for Mainland China and non-Mainland China jurisdictions for the year ended December 31, 2025 was RMB1,459,615 and RMB5,254, respectively.

(c) Deferred taxes

The Group monitors the realizability of deferred tax assets taking into account all relevant factors at each reporting period. As of December 31, 2024 and 2025, based on the relevant weight of positive and negative evidence, including the amount of taxable income in this year which is objective and verifiable, and consideration of expected future taxable income, the Group concluded that it is more likely than not that deferred tax assets related to certain subsidiaries are realizable. A valuation allowance is provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

The Group's deferred tax assets/(liabilities) consist of the following components:

	As of December 31,	
	2024	2025
Deferred tax assets:		
Net operating loss carryforwards	1,564,993	2,102,111
Warranty reserves	1,397,501	1,917,812
Others	378,106	413,950
Total deferred tax assets	3,340,600	4,433,873
Less: Valuation allowance	(381,506)	(876,765)
Deferred tax assets, net of valuation allowance	2,959,094	3,557,108
Deferred tax liabilities:		
Accelerated tax depreciation and others	(1,264,976)	(909,589)
Fair value change of certain investments	(16,937)	(4,965)
Total deferred tax liabilities	(1,281,913)	(914,554)
Deferred tax assets, net	1,677,181	2,642,554

Movement of valuation allowance is as follow:

	As of December 31,	
	2024	2025
Valuation allowance		
Balance at beginning of the year	299,355	381,506
Additions	88,236	495,259
Reversals	(6,085)	—
Balance at end of the year	381,506	876,765

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

21. Taxation (Continued)

(c) Deferred taxes (continued)

As of December 31, 2025, the Group had net operating loss carryforwards of approximately RMB9,831,807 which mainly arose from the Group's certain subsidiaries, VIEs and the VIEs' subsidiaries established in the PRC. These net operating losses can be carried forward to offset future taxable income and will expire during the period from 2026 to 2035. As of December 31, 2025, deferred tax assets which arose from the net operating loss carryforwards amounting to RMB867,806 were fully provided for related valuation allowance, while the remaining RMB1,234,305 were expected to be utilized prior to expiration.

Uncertain Tax Positions

The Group did not have significant unrecognized uncertain tax positions or any unrecognized liabilities, interest or penalties associated with unrecognized tax benefit as of and for the years ended December 31, 2023, 2024 and 2025.

(d) Consumption tax

The Group is subject to consumption tax rate of 3% and related surcharge for the sales of extended – range electric passenger vehicles.

22. Fair Value Measurement

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis include short-term investments, long-term financial instruments and investment in equity securities with readily determinable fair values.

The following table presents the major financial instruments measured at fair value, by level within the fair value hierarchy as of December 31, 2024 and 2025.

	Fair Value as of December 31, 2024	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Short-term investments	6,082,161		6,082,161	
Equity securities with readily determinable fair values	140,985	140,985		
Total	6,223,146	140,985	6,082,161	

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

22. Fair Value Measurement (Continued)

	Fair Value as of December 31, 2025	Fair Value Measurement at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Short-term investments	6,164,061		6,164,061	
Equity securities with readily determinable fair value	14,894	14,894		
Total	6,178,955	14,894	6,164,061	

Valuation Techniques

Fair value of short-term investments and long-term financial instruments is estimated based on quoted prices of similar financial products provided by the banks at the end of each period (Level 2).

Equity securities with readily determinable fair values: Equity securities with readily determinable fair values are marketable equity securities which are publicly traded stocks measured at fair value. These securities are valued using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level 1 of fair value measurements. The related gain/(loss) amounts are recognized in “Interest income and investment income, net” in the consolidated statements of comprehensive income.

Assets measured at fair value on a non-recurring basis

Assets measured at fair value on a non-recurring basis include: investments in equity securities without readily determinable fair values and equity method investments, as well as property, plant and equipment and inventories. For investments in equity securities without readily determinable fair values using the measurement alternative, no measurement event occurred during the periods presented. The equity securities are reviewed periodically for impairment using fair value measurement. The primary factors the Group considers in its determination include, but not limited to, current economic and market conditions, operating performance of the companies, including current earnings trends and undiscounted cash flows, and other company-specific information, such as recent financing rounds. In the event of impairment, these investments were measured using unobservable inputs (Level 3) and written down from their respective carrying values to fair value, with impairment charges incurred and recorded in consolidated statements of comprehensive income for the years then ended. The equity securities without readily determinable fair value were RMB780,558 and RMB833,778 as of December 31, 2024 and 2025. No impairment charges were recognized for the years ended December 31, 2023, 2024 and 2025. For equity method investments, no impairment loss was recognized for all years presented.

The Group measures the carrying amount of long-lived assets against the fair value determined using estimated undiscounted future cash flows with unobservable inputs (Level 3). No impairment loss of property, plant and equipment was recognized for all years presented. The Group recognized RMB131,769, RMB129,964 and RMB151,327 inventory write-downs for the years ended December 31, 2023, 2024 and 2025, respectively.

Assets and liabilities not measured at fair value but fair value disclosure is required

Financial assets and liabilities not measured at fair value include cash equivalents, time deposits, restricted cash, trade receivable, other assets, borrowings, trade and notes payable, amounts due to related parties, accruals and other liabilities.

The Group values its time deposits held in certain bank accounts using quoted prices for securities with similar characteristics and other observable inputs, and accordingly, the Group classifies the valuation techniques that use these inputs as Level 2. The Group classifies the valuation techniques that use the inputs as Level 2 for short – term borrowing as the rates of interest under the loan agreements with the lending banks were determined based on the prevailing interest rates in the market.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

22. Fair Value Measurement (Continued)

Trade receivable, other assets, trade and notes payable, amounts due to related parties and accruals and other liabilities are measured at amortized cost, and the fair values approximate their carrying values given their short maturities.

Borrowings and convertible debt are measured at amortized cost. Their fair values were estimated by discounting the scheduled cash flows through to estimated maturity using estimated discount rates based on current offering rates of comparable institutions with similar services. The fair value of these borrowings obligations approximates their carrying value as the borrowing rates are similar to the market rates that are currently available to the Group for financing obligations with similar terms and credit risks and represent a level 2 measurement. The fair value of the convertible debt, based on level 2 inputs, was RMB5,967,449 as of December 31, 2025.

23. Commitments and Contingencies**(a) Capital commitments**

The Group's capital commitments primarily relate to commitments on construction and purchase of production facilities, equipment and tooling. Total capital commitments contracted but not yet reflected in the consolidated financial statements as of December 31, 2025 were as follows:

	<u>Total</u>	<u>Less than One Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>
Capital commitments	6,320,465	6,301,199	19,266	—

(b) Purchase obligations

The Group's purchase obligations primarily relate to commitments on purchase of raw materials. Total purchase obligations contracted but not yet reflected in the consolidated financial statements as of December 31, 2025 were as follows:

	<u>Total</u>	<u>Less than One Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>
Purchase obligations	7,303,842	7,165,992	137,850	—

(c) Legal proceedings

The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis.

Save as discussed below, the Group does not have any material litigation, and has not recorded any material liabilities in this regard as of December 31, 2024 and 2025.

The Company and certain of its officers and directors have been named as defendants in two putative securities class actions filed in May 2024 in the U.S. District Court for the Eastern District of New York. Both cases were purportedly brought on behalf of a class of persons who claim to have suffered damages as a result of alleged misstatements and omissions in the Company's SEC filings regarding its business outlook, in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On December 30, 2024, the Court appointed a lead plaintiff and ordered both cases be consolidated. On March 27, 2025, the lead plaintiff filed a first amended complaint, followed by a second amended complaint on June 6, 2025. On July 2, 2025, the individual defendants accepted service of the second amended complaint. On July 21, 2025, the Company and the individual defendants filed a motion to dismiss the second amended complaint. Briefing on the motion to dismiss was completed on October 9, 2025, and a decision on the motion to dismiss is currently pending. The case remains in preliminary stage, the likelihood of any unfavorable outcome or the amount or range of any potential loss cannot be reasonably estimated at the issuance date of the consolidated financial statements. As a result, as of December 31, 2025, the Group did not record any liabilities for the loss contingencies pertaining to the cases described above.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

24. Related Party Balances and Transactions

The principal related parties with which the Group had major transactions during the periods presented are as follows:

<u>Name of Entity or Individual</u>	<u>Relationship with the Company</u>
Meituan	A principal shareholder of the Company
Foshan Che Yijia New Energy Technology Co., Ltd. ("Foshan Cheyijia")	Affiliate

The Group entered into the following major related party transactions:

	<u>For the Year Ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
Purchase service from Meituan	21,956	81,120	70,301
Purchase goods from Foshan Cheyijia	53	2,300	22,885

The Group had the following major related party balances:

	<u>As of December 31,</u>	
	<u>2024</u>	<u>2025</u>
Due to Meituan	8,852	14,781
Due to Foshan Cheyijia	2,575	11,838

25. Restricted Net Assets

The Group's ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's subsidiaries, consolidated VIEs and VIEs' subsidiaries incorporated in PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's subsidiaries, the VIEs and the VIEs' subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment, a foreign invested enterprise established in the PRC is required to provide certain statutory reserve funds, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profits as reported in the enterprise's PRC statutory financial statements. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to the general reserve fund until such reserve fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserved funds can only be used for specific purposes and are not distributable as cash dividends.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

25. Restricted Net Assets (Continued)

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory surplus fund at least 10% of its annual after-tax profits until such statutory surplus fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. A domestic enterprise is also required to provide discretionary surplus fund, at the discretion of the board of directors, from the net profits reported in the enterprise's PRC statutory financial statements. The aforementioned reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of these PRC laws and regulations that require annual appropriations of 10% of after-tax profits to be set aside prior to payment of dividends as general reserve fund or statutory surplus fund, the Group's PRC subsidiaries, consolidated VIEs and VIEs' subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company. The balance of statutory reserves was RMB758,472 and RMB866,714 as of December 31, 2024 and 2025.

Amounts restricted include paid-in capital, additional paid-in capital and statutory reserve funds, less accumulated deficit, totaling approximately RMB20,097,175 and RMB21,178,233 as of December 31, 2024 and 2025, respectively. Therefore, in accordance with Securities and Exchange Commission Regulation S-X Rules 4-08 (e) (3), the condensed parent company only financial statements as of December 31, 2024 and 2025 and for the years ended December 31, 2023, 2024 and 2025 are disclosed in Note 26.

26. Parent Company Only Condensed Financial Information

The Company performed a test on the restricted net assets of its consolidated subsidiaries, VIEs and VIEs' subsidiaries in accordance with Regulation S-X Rule 4-08 (e) (3), General Notes to Financial Statements and concluded that it was applicable for the Company to disclose the financial information for the Company only.

The subsidiaries did not pay any dividend to the Company for the years ended December 31, 2023, 2024 and 2025. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company. The Company did not have significant capital and other commitments, or guarantees as of December 31, 2024 and 2025.

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

26. Parent Company Only Condensed Financial Information (Continued)*Condensed balance sheets*

	As of December 31,	
	2024	2025
	RMB	RMB
ASSETS		
Current assets:		
Cash and cash equivalents	4,943,339	3,949,313
Time deposits and short-term investments	2,613,125	—
Amounts due from subsidiaries of the Group	49,408,573	50,309,768
Prepayments and other current assets	23,955	7,416
Total current assets	<u>56,988,992</u>	<u>54,266,497</u>
Non-current assets:		
Investments in subsidiaries	20,111,191	24,338,730
Long-term investments	45,799	14,890
Property, plant and equipment, net	2	1
Total non-current assets	<u>20,156,992</u>	<u>24,353,621</u>
Total assets	<u>77,145,984</u>	<u>78,620,118</u>
LIABILITIES		
Current liabilities:		
Short-term borrowings	—	5,982,366
Amounts due to subsidiaries of the Group	3,721	3,549
Accruals and other current liabilities	12,482	14,948
Total current liabilities	<u>16,203</u>	<u>6,000,863</u>
Non-current liabilities:		
Long-term borrowings	6,254,897	—
Total non-current liabilities	<u>6,254,897</u>	<u>—</u>
Total liabilities	<u>6,271,100</u>	<u>6,000,863</u>
SHAREHOLDERS' EQUITY		
Class A Ordinary Shares	1,215	1,229
Class B Ordinary Shares	235	235
Treasury shares	(74)	(73)
Additional paid-in capital	60,126,623	61,399,973
Accumulated other comprehensive loss	(171,748)	(825,180)
Retained earnings	10,918,633	12,043,071
Total shareholders' equity	<u>70,874,884</u>	<u>72,619,255</u>
Total liabilities and shareholders' equity	<u>77,145,984</u>	<u>78,620,118</u>

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

26. Parent Company Only Condensed Financial Information (Continued)*Condensed statements of comprehensive income*

	For the Year Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Operating expenses:			
Research and development	—	(173)	(159)
Selling, general and administrative	(44,419)	(29,303)	(33,302)
Total operating expenses	(44,419)	(29,476)	(33,461)
Loss from operations	(44,419)	(29,476)	(33,461)
Other (expense)/income			
Interest expense	(38,323)	(51,818)	(33,547)
Interest income and investment income, net	70,953	265,836	80,673
Share of income from subsidiaries, and income of VIEs	11,716,065	7,821,521	1,095,363
Others, net	(137)	26,287	15,410
Income before income tax	11,704,139	8,032,350	1,124,438
Income tax expense	(6)	—	—
Net income	11,704,133	8,032,350	1,124,438
Other comprehensive (loss)/income			
Foreign currency translation adjustment, net of nil tax	(30,766)	53,128	(653,432)
Comprehensive income	11,673,367	8,085,478	471,006

LI AUTO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in thousands, except for share and per share data)

26. Parent Company Only Condensed Financial Information (Continued)

Condensed statements of cash flows

	For the Year Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash provided by operating activities	56,515	205,249	166,907
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash (used in)/provided by inter-company transactions	(3,589,329)	6,751,926	(2,497,737)
Placement of time deposits	—	(2,179,080)	—
Redemption of time deposits	2,137,626	—	2,144,580
Placement of short-term investments	—	(364,515)	(728,570)
Net cash (used in)/provided by investing activities	(1,451,703)	4,208,331	(1,081,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	699,300	—	—
Repayment of borrowings	(338,020)	(700,000)	—
Proceeds from exercise of share options	11,953	14,658	14,661
Proceeds from issuance of ordinary shares	1,174,319	—	—
Net cash provided by/(used in) financing activities	1,547,552	(685,342)	14,661
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(5,355)	93,868	(93,867)
Net change in cash, cash equivalents and restricted cash	147,009	3,822,106	(994,026)
Cash, cash equivalents and restricted cash at beginning of the year	974,224	1,121,233	4,943,339
Cash, cash equivalents and restricted cash at end of the year	1,121,233	4,943,339	3,949,313

Basis of presentation

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries and VIEs.

For the Company only condensed financial information, the Company records its investments in subsidiaries, VIEs and VIEs' subsidiaries under the equity method of accounting as prescribed in ASC 323 "Investments—Equity Method and Joint Ventures". The parent company only condensed financial information should be read in conjunction with the Group's consolidated financial statements.

27. Subsequent events

On March 24, 2026, subsequent to the balance sheet date of December 31, 2025, the Company's board of directors has approved a share repurchase program under which the Company is authorized to purchase up to US\$1.0 billion of its Class A ordinary shares and/or American depositary shares for the period from the approval date up to March 31, 2027 (the "Share Repurchase Program"). Repurchases under the program may be made from time to time through open market transactions at prevailing market prices, in block trades and/or through other legally permissible means, depending on the market conditions and in accordance with applicable rules and regulations. The Company's board of directors will review the Share Repurchase Program periodically, and may authorize adjustments of its terms and size or suspend or discontinue the program. In March 2026, the Company repurchased a total of 2,928,100 Class A Ordinary Shares at an aggregate consideration of HK\$201,901 on the HKEX and a total of 698,938 ADSs at an aggregate consideration of US\$12,348 on the Nasdaq.

List of Significant Subsidiaries and Consolidated Variable Interest Entities

Subsidiaries	Place of Incorporation
Leading Ideal HK Limited	Hong Kong
Beijing Co Wheels Technology Co., Ltd.	Mainland China
Beijing CHJ Automobile Technology Co., Ltd.	Mainland China
Beijing Leading Automobile Sales Co., Ltd.	Mainland China
Jiangsu Xindian Interactive Automobile Sales and Services Co., Ltd.	Mainland China
Beijing Lixiang Automobile Co., Ltd.	Mainland China
Shanghai Lixiang Automobile Technology Co., Ltd.	Mainland China

Consolidated Variable Interest Entities	Place of Incorporation
Beijing CHJ Information Technology Co., Ltd.	Mainland China
Beijing Xindian Transport Information Technology Co., Ltd.	Mainland China

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiang Li, certify that:

1. I have reviewed this annual report on Form 20-F of Li Auto Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15c1-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 10, 2026

By: /s/ Xiang Li
Name: Xiang Li
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Tie Li, certify that:

1. I have reviewed this annual report on Form 20-F of Li Auto Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 10, 2026

By: /s/ Tie Li

Name: Tie Li

Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Li Auto Inc. (the "Company") on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiang Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 10, 2026

By: /s/ Xiang Li

Name: Xiang Li
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Li Auto Inc. (the "Company") on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tie Li, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 10, 2026

By: /s/ Tie Li

Name: Tie Li

Title: Chief Financial Officer

Our ref KKZ/766722-000001/85855350v1

Li Auto Inc.
11 Wenliang Street
Shunyi District, Beijing 101399
People's Republic of China

10 April 2026

Dear Sir and/or Madam

Li Auto Inc.

We have acted as legal advisers as to the laws of the Cayman Islands to Li Auto Inc., an exempted limited liability company incorporated in the Cayman Islands (the "**Company**"), in connection with the filing by the Company with the United States Securities and Exchange Commission (the "**SEC**") of an annual report on Form 20-F for the year ended 31 December 2025 (the "**Annual Report**").

We hereby consent to the reference to our firm under the heading "Item 10. Additional Information—E. Taxation" in the Annual Report, and we further consent to the incorporation by reference of the summary of our opinions under this heading into the Company's registration statement on Form S-8 (File No. 333-251453) that was filed on 18 December 2020, pertaining to the Company's 2019 Share Incentive Plan and 2020 Share Incentive Plan, and Registration Statement on Form F-3 (File No. 333-258378) that was filed on 2 August 2021.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP

Consent of Han Kun Law Offices

To:**Li Auto Inc.**

11 Wenliang Street
Shunyi District, Beijing 101399
People's Republic of China

Date: April 10, 2026

Dear Sirs,

We consent to the reference to our firm under the headings “Item 3.D—Risk Factors,” “Item 4.B—Business Overview—Regulation,” and “Item 4.C—Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders” in Li Auto Inc.’s Annual Report on Form 20-F for the year ended December 31, 2025, which will be filed with the Securities and Exchange Commission (the “SEC”), and further consent to the incorporation by reference in Li Auto Inc.’s Registration Statement on Form S-8 (File No. 333-251453) and Registration Statement on Form F-3 (File No. 333-258378) of the summary of our opinion under the headings “Item 3.D—Risk Factors” and “Item 4.C—Organizational Structure—Contractual Arrangements with the VIEs and Their Shareholders” in this Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2025.

Yours faithfully,

/s/ HAN KUN LAW OFFICES

HAN KUN LAW OFFICES

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-251453) and Form F-3 (File No. 333-258378) of Li Auto Inc. of our report dated April 10, 2026 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 10, 2026
