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

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**FORM 20-F**

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(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 001-39151

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**EHang Holdings Limited**

(Exact name of Registrant as specified in its charter)

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N/A

(Translation of Registrant's name into English)

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Cayman Islands

(Jurisdiction of incorporation or organization)

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EHang Future City (Group Headquarters)  
No. 118 Dongjiang Avenue, Huangpu District  
Guangzhou, 510730  
People's Republic of China  
(Address of principal executive offices)

**Conor Chia-hung Yang**  
**Chief Financial Officer**  
**Telephone: +86 20 2902 8899**  
**EHang Holdings Limited**  
**EHang Future City (Group Headquarters)**  
**No. 118 Dongjiang Avenue, Huangpu District**  
**Guangzhou, 510730**  
**People's Republic of China**

(Name, Telephone, E-mail 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(S)	Name Of Each Exchange On Which Registered
American depositary shares, each representing two Class A ordinary shares, par value US\$0.0001 per share	EH	The Nasdaq Global Market
Class A ordinary shares, par value US\$0.0001 per share*		The Nasdaq Global Market*

\* Not for trading, but only in connection with the listing on the Nasdaq Global Market of American depositary shares, each representing two Class A ordinary shares

**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.

As of December 31, 2025, there were 150,242,174 ordinary shares outstanding, comprised of (i) 111,215,614 Class A ordinary shares (excluding 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 and treasury shares), par value of US\$0.0001 per share, and (ii) 39,026,560 Class B ordinary shares outstanding, par value of US\$0.0001 per share.

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 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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> 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 Sections 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

### Conventions Used in this Annual Report

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

- “AAM” means advanced air mobility;
- “ADSs” means American depositary shares, each of which represents two of our Class A ordinary shares;
- “CAAC” means the Civil Aviation Administration of China;
- “China” and the “PRC” means the People’s Republic of China, and only in the context of describing the PRC laws, rules, regulations, regulatory authorities, and any PRC entities or citizens under such rules, laws and regulations and other legal or tax matters in this annual report, excludes Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” means class A ordinary shares, par value US\$0.0001 per share, of EHang Holdings;
- “Class B ordinary shares” means class B ordinary shares, par value US\$0.0001 per share, of EHang Holdings;
- “Ehfly Technology” means Ehfly Technology Limited, a company incorporated in Hong Kong and a direct, wholly-owned subsidiary of EHang Holdings;
- “EHang,” “we,” “us,” “our company” and “our” means collectively EHang Holdings and its subsidiaries and only in the context of describing our consolidated financial information only, also includes the VIE and the VIE’s subsidiaries;
- “EHang Holdings” means EHang Holdings Limited, an exempted company incorporated in the Cayman Islands;
- “eVTOL” means electric vertical takeoff and landing;
- “PCAOB” means Public Company Accounting Oversight Board of the United States.
- “RMB” and “Renminbi” means the legal currency of China;
- “shares” and “ordinary shares” means the Class A ordinary shares and/or the Class B ordinary shares;
- “UAM” means urban air mobility;
- “UAVs” means unmanned aerial vehicles;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” means the legal currency of the United States;
- “VIE” means Guangzhou EHang Intelligent Technology Co., Ltd., a company incorporated in the PRC that has entered into a series of contractual arrangement with our wholly-owned PRC subsidiary. Under these contractual arrangements, EHang Holdings has a “controlling financing interest” as defined in FASB ASC 810 such that it is considered the primary beneficiary for accounting purposes only and thus consolidates each of the VIE and the VIE’s subsidiaries under U.S. GAAP; and
- “WFOE” means EHang Intelligent Equipment Co., Ltd., a company incorporated in the PRC and an indirect, wholly-owned subsidiary of EHang Holdings.

Our reporting currency is the Renminbi because our business is mainly conducted in China and substantially all of our revenues are denominated in Renminbi. This annual report contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. The translations of Renminbi amounts into U.S. dollars in this annual report is based on the rate certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise noted, all translations from Renminbi amounts into U.S. dollars and from U.S. dollars to Renminbi amounts in this annual report were made at a rate of RMB6.9931 to US\$1.00, the noon buying rate in effect as of December 31, 2025 set forth in the H.10 statistical release of the U.S. Federal Reserve Board. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all.

## FORWARD-LOOKING INFORMATION

### Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements that reflect our current expectations and views of future events. 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. These statements involve known and unknown risks, uncertainties and other factors that 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 these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “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 and trends that we believe may affect our financial condition, results of operations, business strategies and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- the trends in and expected growth of the UAV, UAM, AAM and/or low-altitude economy industry in the PRC and globally;
- our expectation regarding the regulatory approvals and certifications for our products and services;
- our expectations regarding the demand for and market acceptance of our products and services;
- our expectations regarding our relationships with distributors, customers, component suppliers, strategic partners and other stakeholders;
- our expectations regarding fulfilment of conditional orders and pre-orders for our products;
- competition in our industry;
- relevant government policies and regulations relating to our industry; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. 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, or worse than, what we expect. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The UAV industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of the ADSs. In addition, the rapidly evolving nature of the UAV industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and have filed as exhibits to this annual report, of which this annual report is a part, completely and with the understanding that our actual future results may be materially different from, or worse than, what we expect.

## 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 Corporate Structure and Contractual Arrangements with the VIE and its Shareholders

EHang Holdings is not a PRC operating company but a Cayman Islands holding company conducting operations in China primarily through its subsidiaries incorporated in the PRC, including EHang Intelligent Equipment Co., Ltd., or the WFOE. PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies in the aviation industry. Pursuant to the latest version of the “negative list,” namely, the Special Management Measures (Negative List) for the Access of Foreign Investment (2024), which became effective on November 1, 2024, our principal business does not fall into the “negative list” in respect of “restricted” or “prohibited” categories for foreign investment. However, foreign investment in commercial and general aviation is restricted under PRC laws and regulations. Accordingly, Guangzhou EHang Intelligent Technology Co., Ltd., or the VIE, and its subsidiaries conduct business operations in the PRC, which may not be conducted by EHang Holdings and/or its subsidiaries under PRC laws and regulations, and the WFOE, the VIE and the VIE’s shareholders have entered into a series of contractual arrangements. These agreements enable us to:

- have the power to direct significant activities of the VIE;
- receive economic benefits from the VIE that potentially could be significant to the VIE; and
- have an exclusive option to purchase all or part of the equity interests and assets in the VIE, when and to the extent permitted by PRC laws.

These contractual arrangements among the WFOE, the VIE and the VIE’s shareholders include shareholders voting proxy agreements, exclusive technical consulting and services agreements, exclusive option agreements, special agreement on the capital increase arrangement of the VIE, and share pledge agreements. Under the contractual arrangements, EHang Holdings has a “controlling financing interest” as defined in FASB ASC 810 such that EHang Holdings is considered the primary beneficiary of the VIE and the VIE’s subsidiaries for accounting purposes only and thus consolidates each of these entities under U.S. GAAP. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIE and its Shareholders.” Investors in the ADSs are not purchasing equity interest in the VIE or the VIE’s subsidiaries but instead are purchasing equity interest in EHang Holdings, a Cayman Islands holding company. Revenues contributed by the VIE and the VIE’s subsidiaries accounted for 7.9%, 1.2% and 1.6% of our consolidated revenues for the years ended December 31, 2023, 2024 and 2025, respectively, after elimination of inter-company transactions.

However, the contractual arrangements may not be as effective as direct ownership in providing us with power to direct the activities of the VIE and we may incur substantial costs to enforce the terms of the agreements. If the VIE or the VIE’s shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us power to direct the activities of the VIE. Furthermore, if we are unable to direct the activities of the VIE and the VIE’s subsidiaries, we would not be able to continue to consolidate the financial results of these entities in our financial statements. Please see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely on contractual arrangements with the VIE and the VIE’s shareholders for certain business operations in the PRC, 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 shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are also 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 the contractual arrangements with the VIE and the VIE's 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 the VIE 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 permits or approvals, the relevant PRC regulatory authorities would have discretion in accordance with the applicable laws and regulations to take action in dealing with such violations or failures. Please see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the contractual arrangements between the WFOE, the VIE and the VIE's shareholders do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties or be forced to relinquish our interests in those operations" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Our business may be significantly affected by the Foreign Investment Law."

Our corporate structure is subject to risks associated with our contractual arrangements with the VIE. Investors may never have a direct ownership interest in the businesses that are conducted by the VIE. Uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with PRC laws and regulations, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we and the VIE could be subject to penalties or be forced to relinquish our interests in those operations. Our holding company, the WFOE, the VIE, 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 VIE and, consequently, significantly affect the financial performance of the VIE and our company as a whole.

We and the VIE face various legal and operational risks and uncertainties related to doing business in China. Some of our business operations are conducted in China through the VIE, and we and the VIE are subject to PRC laws and regulations that continue to evolve. For example, we and the VIE face risks associated with regulatory approvals on offshore offerings, the use of variable interest entities, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, as well as the lack of inspection by the Public Company Accounting Oversight Board, or PCAOB, on our auditors, which may impact our ability to conduct certain businesses, accept foreign investments, or list on a U.S. or other 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 offer or continue to offer securities to investors and cause such securities to significantly decline in value. For a detailed description of risks related to doing business in China, "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China."

PRC government's oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers may affect our operations. Implementation of industry-wide regulations, including data security or anti-monopoly related 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 significant oversight over our and the VIE's business operation could result in a material adverse change in our operations and the value of the ADSs."

Risks and uncertainties arising from the evolving legal and regulatory environment in China, including risks and uncertainties regarding the enforcement of laws and regulations in China, could result in a material adverse change in our operations and the value of the ADSs. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us."

## **The Holding Foreign Companies Accountable Act**

Pursuant to the Holding Foreign Companies Accountable Act, or the HFCAA, if the U.S. Securities and Exchange Commission, or 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. On May 26, 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of the annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB 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. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to complete inspection and investigation over 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 Doing Business in China—The ADSs will be delisted and prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China.”

## **Permissions Required from the PRC Authorities for Our Operations**

The VIE and the VIE’s subsidiaries currently conduct operations in the PRC, and we consolidate the financial results of such operations under U.S. GAAP as a result of the contractual arrangements. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries, the VIE and the VIE’s 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 VIE in China, including, among others, Civil Unmanned Aerial Vehicle Operational Certificates required for using UAVs in aerial spraying, aerial photography, remote pilot training, flight show, aerial media solutions and other purposes. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for our business operations in the future. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Regulations and how they may impact the viability of our current corporate structure, corporate governance and business operations” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexities, uncertainties and changes in PRC regulations on technology companies.”

Furthermore, in connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the VIE, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, for our listing, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not been asked to obtain such permissions by any PRC authority.

## **Cash and Asset Flows through Our Organization**

Our offshore holding company is permitted under PRC laws and regulations to provide funding to our PRC subsidiary only through loans or capital contributions, subject to the approval of government authorities and limits on the amount of capital contributions and loans.

For the years ended December 31, 2023, 2024 and 2025, EHang Holdings made capital contributions of RMB150.3 million, RMB79.3 million and RMB24.3 million (US\$3.5 million), respectively, to its subsidiaries. No other transfers, dividends or distributions of cash or assets were made between EHang Holdings and EHang Holdings’ subsidiaries, on the one hand, and the VIE and the VIE’s subsidiaries, on the other hand, except for the foregoing capital contributions.

EHang Holdings is a Cayman Islands holding company with no material operations of its own. The VIE and the VIE's subsidiaries currently conduct operations in the PRC, and we consolidate the financial results of such operations under U.S. GAAP as a result of the contractual arrangements. As a result, although other means are available for us to obtain financing at the holding company level, EHang Holdings' ability to pay dividends and to service any debt it may incur may depend upon dividends paid by its subsidiaries. Among them, our Hong Kong subsidiary Ehfly Technology's source of dividend depends on dividends paid by its PRC subsidiaries, which in part depends on payments from the VIE under the contractual arrangements with the VIE.

Current PRC regulations permit our PRC subsidiaries, such as the WFOE, to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, the VIE and the WFOE 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. The WFOE and the VIE 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 the WFOE 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 the WFOE's ability to pay dividends and other distributions to us. Any limitation on the ability of our subsidiary to distribute dividends to us or on the ability of the VIE to make payments to the WFOE may restrict our ability to satisfy our liquidity requirements. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Dividend Distribution."

Additionally, the VIE receives substantially all of its revenues in RMB and the PRC government imposes controls on the convertibility of the RMB 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 the State Administration of Foreign Exchange of the PRC, or the SAFE by complying with certain procedural requirements. Dividends payments to us by Ehfly Technology, our Hong Kong subsidiary, in foreign currencies are subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. Approval by or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, the WFOE may not be able to pay dividends in foreign currencies to us and our access to cash generated from its operations will be restricted. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Governmental control of currency conversion may limit our ability to utilize our operating revenues effectively and affect the value of your investment."

None of our subsidiaries has declared or paid any dividend or distribution to us. We have never declared or paid any dividend on our ordinary shares. 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. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For the Cayman Islands, PRC and U.S. federal income tax considerations applicable to an investment in the ADSs or Class A ordinary shares, see "Item 10. Additional Information—E. Taxation."

Under the current laws of the Cayman Islands, EHang Holdings 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 in Mainland China and Hong Kong, assuming that: (i) the VIE has taxable earnings, and (ii) we determine to pay a dividend in the future.

	<u>Tax Calculation<sup>(1)</sup></u>
Hypothetical pre-tax earnings in the VIE <sup>(1)</sup>	100
Tax on earnings at statutory rate of 25% at WFOE level <sup>(2)</sup>	(25)
Amount to be distributed as dividend from WFOE to Ehfly Technology <sup>(3)</sup>	75
Withholding tax at a treaty rate of 5%	(3.75)
Amount to be distributed as dividend at Ehfly Technology level and net distribution to EHang Holdings <sup>(4)</sup>	71.25

Notes:

- (1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount is assumed to equal Chinese taxable income.
- (2) Certain of our subsidiaries and the VIE qualifies for a 15% preferential income tax rate in China. However, such rate 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.
- (3) China's 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 Mainland 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 Mainland China, subject to a qualification review at the time of the distribution. There is no incremental tax at Ehfly Technology level for any dividend distribution to EHang Holdings.
- (4) If a 10% withholding income tax rate is imposed, the withholding tax will be 7.5 and the amount to be distributed as dividend at Ehfly Technology level and net distribution to EHang Holdings will be 67.5.

The table above has been prepared under the assumption that all profits of the VIE will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If, in the future, the accumulated earnings of the VIE 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 Chinese tax authorities), the VIE could make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the VIE. This would result in such transfer being non-deductible expenses for the VIE but still taxable income for the PRC subsidiaries. Our management believes that there is only a remote possibility that this scenario would happen.

Should all tax planning strategies fail the VIE could, as a matter of last resort, make a non-deductible transfer to the WFOE for amounts of stranded cash in the VIE. This would result in the double taxation of earnings: once at the VIE level (non-deductible expense) and again at the WFOE level (for presumptive earnings on the transfer). This has the impact of reducing the amount available above from 71.25% to approximately 53% of pre-tax income, respectively. Management believes this scenario to be remote.

#### Financial Information Relating to the VIE

The following tables present the condensed consolidating schedule showing the results of operations, financial position and cash flows for our holding company, EHang Holdings, EHang Holdings' subsidiaries other than the WFOE, the WFOE, the VIE and the VIE's subsidiaries, eliminating adjustments and consolidated totals as of December 31, 2024 and 2025 and for the years ended December 31, 2023, 2024 and 2025.

Selected Condensed Consolidated Statements of Operations Data

	For the year ended December 31,																	
	2023						2024						2025					
	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals
	(RMB in thousands)																	
<b>Revenues</b>	—	5,346	109,581	32,808	(30,309)	117,426	—	885	450,037	123,960	(118,730)	456,152	—	5,099	484,611	160,250	(231,979)	417,981
- Third-party revenues	—	5,346	102,855	9,225	—	117,426	—	885	449,714	5,553	—	456,152	—	4,534	406,776	6,671	—	417,981
- Inter-company revenues <sup>(1)</sup>	—	—	6,726	23,583	(30,309)	—	—	323	118,407	(118,730)	—	—	—	565	77,835	153,579	(231,979)	—
<b>Cost of revenues</b>	—	(3,450)	(62,372)	(5,467)	29,174	(42,115)	—	—	(284,671)	(3,850)	112,315	(176,206)	—	(1,835)	(350,322)	(23,174)	214,504	(160,827)
- Third-party cost of revenues	—	394	(39,846)	(2,663)	—	(42,115)	—	—	(172,636)	(3,570)	—	(176,206)	—	(1,270)	(274,031)	114,474	—	(160,827)
- Inter-company cost of revenues <sup>(1)</sup>	—	(3,844)	(22,526)	(2,804)	29,174	—	—	(112,035)	(280)	112,315	—	—	—	(565)	(76,291)	(137,648)	214,504	—
<b>Gross profit</b>	—	1,896	47,209	27,341	(1,135)	75,311	—	885	165,366	120,110	(6,415)	279,946	—	3,264	134,289	137,076	(17,475)	257,154
Sales and marketing expenses	—	(7,627)	(43,184)	(10,004)	426	(60,389)	—	(7,275)	(99,896)	(24,997)	1,141	(131,027)	(1,181)	(8,161)	(77,795)	(35,054)	171	(122,020)
General and administrative expenses	(5,246)	206	(136,544)	(8,508)	—	(150,092)	(16,040)	(5,819)	(198,543)	(12,996)	—	(233,398)	(13,569)	(425)	(246,769)	(8,865)	(20)	(269,648)
Research and development expenses	—	—	(150,457)	(16,861)	3	(167,315)	—	—	(182,880)	(20,578)	3,993	(199,465)	—	—	(165,570)	(30,144)	1,133	(194,581)
<b>Total operating expenses</b>	(5,246)	(7,421)	(330,185)	(35,373)	429	(377,796)	(16,040)	(13,094)	(481,319)	(58,571)	5,134	(563,890)	(14,750)	(8,586)	(490,134)	(74,063)	1,284	(586,249)
Other operating income	—	839	2,648	2,746	—	6,233	—	1,259	19,594	9,016	—	29,869	—	1,983	3,772	6,628	—	12,383
<b>Operating (loss) income</b>	(5,246)	(4,686)	(280,328)	(5,286)	(706)	(296,252)	(16,040)	(10,950)	(296,359)	70,555	(1,281)	(254,075)	(14,750)	(3,339)	(352,073)	69,641	(16,191)	(316,712)
Share of losses from subsidiaries <sup>(2)</sup>	(290,785)	(292,422)	—	—	583,207	—	(298,463)	(290,987)	—	—	589,450	—	(343,051)	(346,625)	—	—	689,676	—
(Loss) income from the VIEs	(5,829)	(5,829)	(5,829)	—	17,487	—	65,749	65,749	65,749	—	(197,247)	—	61,053	61,053	61,053	—	(183,159)	—
Interest and investment income	160	4,220	4,077	27	—	8,484	18,978	1,255	9,707	659	—	30,599	35,025	3,442	20,035	86	—	58,588
Interest expenses	—	—	(2,728)	(202)	—	(2,930)	—	—	(3,125)	(250)	—	(3,375)	—	—	(5,510)	(466)	—	(5,976)
Amortization of debt discounts	—	—	(12,023)	—	—	(12,023)	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency exchange gains (losses), net	—	342	(46)	98	—	394	—	(882)	(392)	86	—	(1,188)	—	888	451	(130)	(35)	1,174
Other non-operating income	—	1,525	257	184	—	1,966	—	2,630	1,756	308	(24)	4,670	—	2,056	522	232	—	2,810
Other non-operating expenses	—	(4)	(147)	(63)	—	(214)	—	—	(685)	(1,240)	1	(1,924)	(14,254)	(1)	(1,201)	—	—	(15,456)
<b>(Loss) income before income tax and income (loss) from equity method investment</b>	(301,700)	(296,854)	(296,767)	(5,242)	599,988	(300,575)	(229,776)	(233,185)	(223,349)	70,118	390,899	(225,293)	(275,977)	(282,526)	(276,723)	69,363	490,291	(275,572)

	For the year ended December 31,																	
	2023						2024						2025					
	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals
Income tax (expenses) benefits	—	(181)	(25)	—	—	(206)	—	(105)	(281)	—	—	(386)	—	(263)	(4,329)	3,248	5,753	4,409
(Loss) income before income (loss) from equity method investment	(301,700)	(297,035)	(296,792)	(5,242)	599,988	(300,781)	(229,776)	(233,290)	(223,630)	70,118	390,899	(225,679)	(275,977)	(282,789)	(281,052)	72,611	496,044	(271,163)
(Loss) income from equity method investments	—	—	(1,568)	8	—	(1,560)	—	—	(194)	(3,884)	(275)	(4,353)	—	—	(1,003)	(4,245)	—	(5,248)
Net (loss) income	(301,700)	(297,035)	(298,360)	(5,234)	599,988	(302,341)	(229,776)	(233,290)	(223,824)	66,234	390,624	(230,032)	(275,977)	(282,789)	(282,055)	68,366	496,044	(276,411)
Net loss (income) attributable to non-controlling interest	—	421	189	31	—	641	—	576	(320)	—	—	256	—	791	(357)	—	—	434
Net (loss) income attributable to ordinary shareholders	(301,700)	(296,614)	(298,171)	(5,203)	599,988	(301,700)	(229,776)	(232,714)	(224,144)	66,234	390,624	(229,776)	(275,977)	(281,998)	(282,412)	68,366	496,044	(275,977)

*Selected Condensed Consolidated Balance Sheets Data*

	As of December 31,											
	2024					2025						
	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals
Cash and cash equivalents	180,573	257,338	166,100	6,866	—	610,877	12,730	28,814	194,137	20,719	—	256,400
Short-term investments	513,683	—	—	—	—	513,683	761,115	82,117	—	—	—	843,232
Restricted short-term deposits	—	—	30,295	—	—	30,295	—	—	29,655	—	—	29,655
Accounts receivable, net	—	—	52,074	6,106	—	58,180	—	—	100,265	6,217	—	106,482
Inventories	—	1,917	75,236	834	(2,300)	75,687	—	1,935	108,577	2,319	(11,197)	101,634
Prepayments and other current assets	—	1,627	62,755	3,924	(8)	68,298	—	4,785	107,653	28,495	(11)	140,922
Amounts due from subsidiaries, the VIE and the VIE's subsidiaries(3)	13,697	58,567	104,153	86,496	(262,913)	—	13,697	136,315	122,042	79,816	(351,870)	—
Property and equipment, net and intangible assets, net	—	1,297	56,673	3,436	(1,182)	60,224	—	4,258	201,044	61,259	(8,511)	258,050
Right-of-use assets, net	—	—	128,433	—	—	128,433	—	—	116,468	—	—	116,468
Land use right, net	—	—	—	—	—	—	—	—	11,347	—	—	11,347
Investment in subsidiaries(2)	263,309	24,199	—	—	(287,508)	—	290,609	113,129	76,887	—	(480,625)	—
Others	—	2,919	21,284	15,830	(1,212)	38,821	—	2,919	70,107	36,644	17,673	127,343
<b>Total assets</b>	<b>971,262</b>	<b>347,864</b>	<b>697,003</b>	<b>123,492</b>	<b>(555,123)</b>	<b>1,584,498</b>	<b>1,078,151</b>	<b>374,272</b>	<b>1,138,182</b>	<b>235,469</b>	<b>(834,541)</b>	<b>1,991,533</b>
Short-term bank loans	—	—	15,750	—	48,500	64,250	—	—	179,611	—	50,000	229,611
Short-term debt	—	—	50,000	—	(50,000)	—	—	—	50,000	—	(50,000)	—
Amounts due to the Company, subsidiaries, the VIE and the VIE's subsidiaries(3)	76	74,878	105,780	82,179	(262,913)	—	—	76,251	176,375	99,244	(351,870)	—
Accounts payable	—	—	124,376	3,070	—	127,446	—	—	131,216	1,293	—	132,509
Accrued expenses and other liabilities	9,334	836	101,652	31,919	6,455	150,196	9,224	7,808	203,804	39,877	2,726	263,439
Contract liabilities	—	1,865	65,303	1,848	(6,455)	62,561	—	2,291	56,490	2,058	—	60,839
Lease liabilities – current & non-current	—	—	138,246	—	—	138,246	—	—	130,524	—	—	130,524
Long-term bank loans	—	—	13,500	7,000	—	20,500	—	—	77,700	5,000	—	82,700
Net interest of subsidiaries and the VIEs(2)	6,209	6,209	6,209	—	(18,627)	—	—	—	—	—	—	—
Others	—	7,904	54,993	2,588	—	65,485	—	6,848	16,166	2,645	(2,090)	23,569
<b>Total liabilities</b>	<b>15,619</b>	<b>91,692</b>	<b>675,809</b>	<b>128,604</b>	<b>(283,040)</b>	<b>628,684</b>	<b>9,224</b>	<b>93,198</b>	<b>1,021,886</b>	<b>150,117</b>	<b>(351,234)</b>	<b>923,191</b>
<b>Total shareholders' equity (deficit)(2)</b>	<b>955,643</b>	<b>256,172</b>	<b>21,194</b>	<b>(5,112)</b>	<b>(272,083)</b>	<b>955,814</b>	<b>1,068,927</b>	<b>281,074</b>	<b>116,296</b>	<b>85,352</b>	<b>(483,307)</b>	<b>1,068,342</b>

*Selected Condensed Consolidated Cash Flows Data*

	For the year ended December 31,																	
	2023					2024					2025							
	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals
	(RMB in thousands)																	
<b>Net cash flow (used in) generated from operating activities<sup>(4)</sup></b>	(18,778)	(72,341)	(12,161)	14,870	—	(88,410)	(13,165)	122,320	37,109	11,695	—	157,959	(64,845)	(37,268)	(111,131)	33,738	—	(179,506)
<b>Cash flows from investing activities</b>																		
Capital contribution	(150,255)	(500)	—	—	150,755	—	(79,308)	(80,516)	—	—	159,824	—	(24,308)	(128,000)	—	(153)	152,461	—
Redemption of short-term investments	—	—	—	—	—	—	444,759	—	—	—	—	444,759	371,753	46,975	—	—	—	418,728
Purchase of short-term investments	(56,694)	—	—	—	—	(56,694)	(885,706)	—	—	—	—	(885,706)	(600,989)	(128,164)	—	—	—	(729,153)
Proceeds received from maturity of short-term deposits	—	—	—	—	—	—	142,918	—	864	—	—	143,782	—	—	—	—	—	—
Payments for short-term deposits	(14,164)	—	—	—	—	(14,164)	(129,207)	—	(864)	—	—	(130,071)	—	—	—	—	—	—
Proceeds received from maturity of restricted short-term deposits	—	—	—	—	—	—	—	—	—	43,942	—	43,942	—	—	29,486	—	—	29,486
Payments for restricted short-term deposits	—	—	(33,437)	—	—	(33,437)	—	—	—	(39,486)	—	(39,486)	—	—	(29,126)	—	—	(29,126)
Other investing activities	(2)	114	(7,502)	(17,007)	—	(24,397)	—	91	(41,267)	(18,552)	—	(59,728)	—	(1,118)	(178,230)	(17,732)	—	(197,080)
<b>Net cash flow (used in) provided by investing activities</b>	(221,115)	(386)	(40,939)	(17,007)	150,755	(128,692)	(506,544)	(80,425)	(41,267)	(14,096)	159,824	(482,508)	(253,544)	(210,307)	(177,870)	(17,885)	152,461	(507,145)
<b>Cash flows from financing activities</b>																		
Capital contribution	—	150,255	500	—	(150,755)	—	—	79,308	80,516	—	(159,824)	—	—	24,308	128,153	—	(152,461)	—
Proceeds from short-term bank loans	—	—	69,090	—	—	69,090	—	—	54,250	10,000	—	64,250	—	—	249,143	—	—	249,143
Repayment of a short-term bank loan	—	—	(44,640)	(5,154)	—	(49,794)	—	—	(64,244)	(4,846)	—	(69,090)	—	—	(83,758)	—	—	(83,758)
Other financing activities	251,770	—	(75,586)	—	—	176,184	688,043	—	18,154	—	—	706,197	150,546	—	23,500	(2,000)	—	172,046

For the year ended December 31,

	2023						2024						2025					
	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals	EHang Holdings	Other subsidiaries	WFOE	VIE and VIE's subsidiaries	Eliminating adjustments	Consolidated totals
	(RMB in thousands)																	
Net cash provided by (used in) financing activities	251,770	150,255	(50,636)	(5,154)	(150,755)	195,480	688,043	79,308	88,676	5,154	(159,824)	701,357	150,546	24,308	317,038	(2,000)	(152,461)	337,431
Effect of exchange rates on cash and cash equivalents	—	562	—	—	—	562	—	5,819	—	—	—	5,819	—	(5,257)	—	—	—	(5,257)
Net (decrease) increase in cash and cash equivalents	11,877	78,090	(103,736)	(7,291)	—	(21,060)	168,334	127,022	84,518	2,753	—	382,627	(167,843)	(228,524)	28,037	13,853	—	(354,477)
Cash and cash equivalents at the beginning of the years	362	52,226	185,318	11,404	—	249,310	12,239	130,316	81,582	4,113	—	228,250	180,573	257,338	166,100	6,866	—	610,877
<b>Cash and cash equivalents at the end of the years</b>	<b>12,239</b>	<b>130,316</b>	<b>81,582</b>	<b>4,113</b>	<b>—</b>	<b>228,250</b>	<b>180,573</b>	<b>257,338</b>	<b>166,100</b>	<b>6,866</b>	<b>—</b>	<b>610,877</b>	<b>12,730</b>	<b>28,814</b>	<b>194,137</b>	<b>20,719</b>	<b>—</b>	<b>256,400</b>

Notes:

- (1) Represents the elimination of the intercompany transactions at the consolidation level.
- (2) Represents the elimination of the investment among EHang Holdings, EHang Holdings' subsidiaries other than the WFOE, the WFOE, and the VIE and the VIE's subsidiaries.
- (3) Represents the elimination of intercompany balances among EHang Holdings, EHang Holdings' subsidiaries other than the WFOE, the WFOE, and the VIE and the VIE's subsidiaries.
- (4) For the years ended December 31, 2023, 2024 and 2025, the WFOE did not charge any service fee from the VIE as the cumulative earnings were retained for VIE's business development. For the year ended December 31, 2023, cash paid by the WFOE to the VIE and the VIE's subsidiaries was RMB37.2 million, which represented purchase of software and inventories. For the year ended December 31, 2024 and 2025, cash received by the WFOE from the VIE and the VIE's subsidiaries was RMB4.5 million and RMB76.4 million (US\$10.9 million), respectively, which represented sales of inventories. For the years ended December 31, 2023, 2024 and 2025, cash paid by other subsidiaries to the WFOE were RMB3.2 million, nil and RMB6.0 million (US\$0.9 million), respectively, which represented purchase of inventories.

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

Below please find a summary of the principal risks we face, organized under relevant headings.

**Risks Relating to Our Business and Industry**

- Our future growth depends on the demand for, and customers' willingness to adopt, our products and air mobility solutions.
- In the jurisdictions where we, the VIE and the VIE's subsidiaries sell and plan to sell products, the commercial use of eVTOL aircraft is subject to an uncertain or lengthy approval process; we cannot predict when regulations will change, and any new regulations may impose onerous requirements and restrictions with which we, the VIE and the VIE's subsidiaries, the eVTOL aircraft and potential customers may be unable to comply. As a result, we, the VIE and the VIE's subsidiaries may be limited in, or completely restricted from, growing business in the foreseeable future.
- We may be unable to make timely product deliveries due to limited production capacity.
- Our framework and conditional agreements may not result in material sales of our products.
- We have substantial customer concentration and we have experienced a significant increase in accounts receivable.
- Our technology platform may not perform in line with customer specifications or expectations; and
- We are a relatively young company with a short operating history, and we may not be able to sustain our rapid growth, effectively manage our growth or implement our business strategies.

**Risks Relating to Our Corporate Structure**

- If the PRC government finds that the contractual arrangements between the WFOE, the VIE and the VIE's shareholders do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties or be forced to relinquish our interests in those operations.
- We rely on contractual arrangements with the VIE and the VIE's shareholders for certain business operations in the PRC, which may not be as effective as direct ownership in providing operational control.
- Any failure by the VIE or the VIE's shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.

- The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- We may lose the ability to use and enjoy assets held by the VIE that are material to certain business operations in the PRC if the VIE goes bankrupt or becomes subject to a dissolution or liquidation proceeding.
- Our dual-class share structure with different voting rights 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 and ADSs may view as beneficial.

#### **Risks Relating to Doing Business in China**

- The PRC government’s significant oversight over our and the VIE’s business operation could result in a material adverse change in our operations and the value of the ADSs.
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.
- We may be adversely affected by the complexities, uncertainties and changes in PRC regulations on technology companies.
- The approval of and the filing with the CSRC or other PRC governmental authorities may be required in connection with our future offshore offerings under PRC law and if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such filing.
- The ADSs will be delisted and prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China.
- Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.
- We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.
- 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 has deprived our investors with the benefits of such inspections.

#### **Risks Relating to the ADSs and Trading Market**

- The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.
- If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.
- The sale or availability for sale of substantial amounts of the ADSs could adversely affect their market price.
- 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.

## Risks Relating to Our Business and Industry

***Our future growth depends on the demand for, and customers' willingness to adopt, our products and air mobility solutions.***

We operate in the new and evolving AAM industry. Our business and operating results depend in large part on the acceptance of and demand for our pilotless eVTOL aircraft and air mobility solutions. The success of these products and services are and will be subject to risks, including with respect to:

- the extent of market reception and adoption of pilotless eVTOL aircraft as air mobility solutions;
- our ability to navigate a new and evolving regulatory environment;
- our timely fulfillment of product orders;
- our ability to produce safe, high-quality and cost-effective eVTOL aircraft and provide after-sales services on an ongoing basis;
- the performance of our pilotless eVTOL aircraft relative to customer expectations and customers' interest in and demand for our pilotless eVTOL aircraft and air mobility solutions; and
- our building a well-recognized and respected brand.

Our failure to manage the risks described above may discourage current or potential customers from purchasing our products or using our commercial solutions, and there may be downward price pressure on our products and commercial solutions. If the market for eVTOL aircraft or air mobility solutions does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be materially and adversely affected.

***In the jurisdictions where we, the VIE and the VIE's subsidiaries sell and plan to sell products, the commercial use of eVTOL aircraft is subject to an uncertain or lengthy approval process; we cannot predict when regulations will change, and any new regulations may impose onerous requirements and restrictions with which we, the VIE and the VIE's subsidiaries, the eVTOL aircraft and potential customers may be unable to comply. As a result, we, the VIE and the VIE's subsidiaries may be limited in, or completely restricted from, growing business in the foreseeable future.***

We operate in a new and rapidly evolving industry, which is subject to extensive legal and regulatory requirements. As described below, in the jurisdictions relevant to us, the commercial use and delivery of our various eVTOL aircraft are, and in the near future are expected to continue to be, subject to an uncertain or lengthy approval process. In October 2023, December 2023, March 2024 and March 2025, we obtained the Type Certificate ("TC"), the Standard Airworthiness Certificate ("AC"), the PC and the Air Operator Certificate ("OC"), respectively, for EH216-S from the CAAC, demonstrating that EH216-S is qualified for conducting human-carrying commercial operations and mass production. Moreover, our TC application for our VT35 lift-and-cruise pilotless eVTOL aircraft to the CAAC was accepted in March 2025. However, PRC and U.S. regulations impose significant restrictions on UAVs. We cannot predict when these regulations will change, and any new regulations may impose onerous requirements and restrictions.

In China, the CAAC, published the Guidance on UAV Airworthiness Assessment Based on Operation Risks, or the UAV Airworthiness Guidance, on January 25, 2019, which is based on the assessment, classification and management of operational risks of UAVs. As we operate in the new and evolving industry, we contribute to the rules and regulations as a member of the CAAC Special Expert Taskforce. On October 29, 2021, the CAAC further published the Civil Unmanned Aircraft System Airworthiness Certification Management Procedures (Draft for Comments), Civil Unmanned Aircraft System Safety Analysis Guidelines (Draft for Comment), and Civil Unmanned Aircraft Registration Management Procedures (Draft for Comment). Such draft UAV rules mainly cover the medium UAVs weigh between 25 kilograms and 150 kilograms, and large UAVs exceed 150 kilograms in weight. We submitted an application for the EH216-S Type Certification to the CAAC in December 2020, which was accepted by the CAAC in January 2021. Our EH216-S human-carrying pilotless eVTOL aircraft, as a special category aircraft under Section 21.17 of Certification Procedures for Civil Aviation Products and Parts, or CCAR-21, is required to meet the criteria set forth in *Special Conditions for Type Certification of EH216-S Unmanned Aircraft System*, or Special Conditions, promulgated by the CAAC on February 9, 2022. The Special Conditions provided clear safety requirements for the certification of EH216-S with respect to flight performance, aircraft structures, design and manufacture, propulsion system, data link, ground control station, etc. We have passed through the Type Certification phases of Concept Design, Requirements Definition, Compliance Planning, and Demonstration and Verification of Compliance to conduct tests, including laboratory tests, ground tests and inspections, flight tests and data analysis. On May 31, 2023, the Provisional Regulation for the Flight Administration of Unmanned Aerial Vehicles was promulgated by the State Council and the Central Military Commission and came into effect on January 1, 2024, which is the first administrative regulation on the management of unmanned aerial vehicles in China that stipulates the standards and requirements to apply for the operation certificate of UAVs. In October 2023, we obtained the TC for EH216-S from the CAAC. This demonstrates that the EH216-S's model design complies with CAAC's safety standards and airworthiness requirements, and that the EH216-S is qualified for conducting human-carrying commercial operations. However, we cannot assure you that we can satisfy the relevant requirements or standards under the detailed rules or regulations to be promulgated in the future, which may materially and adversely affect our business and future prospects.

Additionally, the EH216-S is subject to several operational restrictions under the TC and OC issued by the CAAC. These certifications currently prohibit the EH216-S from operating in adverse weather conditions, including rain, snow, thunderstorms, icing, sandstorms, and heavy fog, and limit operations to daytime only. In addition, the EH216-S is restricted to operating exclusively within segregated, uncontrolled airspace, over sparsely populated areas, and always within the sight of the ground crew. Takeoff and landing on water are also strictly prohibited. These restrictions are intended to ensure the safe operation of the EH216-S. Our ability to expand the commercial deployment and operational range of the EH216-S could be impeded unless the CAAC relaxes or removes these restrictions. There can be no assurance that we will be able to obtain such relaxation or removal in a timely manner, or at all. If these operational restrictions are not relaxed or removed in a timely manner, or at all, our ability to scale our operations, expand into new markets, or fully realize the commercial potential of the EH216-S could be materially and adversely affected.

Further, the VIE and the VIE's subsidiaries are required to obtain approvals from competent aviation authorities for flight activities or proposed flights in connection with our business. As such approvals are usually granted on a one-off basis or are only valid for a limited period of time and the competent aviation authority may exercise air traffic control under certain circumstances which may restrict us from operating our eVTOL aircraft from time to time, we cannot assure you that the VIE and the VIE's subsidiaries will be able to obtain such approval for each matter on which we will work on with our customers or partners in the future. If such approval is not granted in a timely manner, we, the VIE and the VIE's subsidiaries, as well as our and their customers or partners will not be able to fly the eVTOL aircraft in the proposed flight routes.

As we sell our products internationally, we face challenges in quickly and sufficiently familiarizing ourselves with foreign regulatory environments and policy frameworks. If any new regulation is put in place, or a different interpretation of existing regulation is adopted, our ability to manufacture, market, sell or operate our products or to advertise or deliver air mobility solutions in general may be limited or otherwise affected. Failure to comply with applicable regulations or to obtain, maintain or renew the necessary permits, licenses, registrations or certificates could cause delays in, or prevent us from, manufacturing, marketing, selling and operating our products, meeting product demand and expectations, introducing new products or expanding our service coverage, and could materially and adversely affect our operation results. If we are found to be in violation of applicable laws or regulations, we could be subject to administrative punishment, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***We may be unable to make timely product deliveries due to limited production capacity.***

Commercial production of our pilotless eVTOL aircraft requires timely and adequate supply of various types of raw materials and components, as well as mass production capacity and efficient manufacturing and assembly. We have limited experience in high-volume manufacturing of our pilotless eVTOL aircraft. We cannot assure you that we will be able to expand our production capacity efficiently and cost-effectively, or to procure sufficient raw materials and components to meet our production volume. While we are looking into expanding our manufacturing capacity through partnerships, such partnerships may not be successful, or we may not be able to do so in a timely manner to fulfill our backlog orders. While we obtain components from multiple sources whenever possible, some of the components used in our products are currently selected to be purchased from a single source to improve cost- efficiency. Disruption in the supply of components, whether or not from a single-source supplier, could temporarily disrupt commercial production of our products. We also outsource certain manufacturing activities to third party contract manufacturers. We may experience operational difficulties with our contract manufacturers, including reductions in the availability of production capacity, failure to comply with product specifications, insufficient quality control, failure to meet production deadlines, increases in manufacturing costs and longer lead time.

Any of the foregoing could result in our failure to make timely deliveries to our customers. Such failure would materially and adversely affect our business, results of operations, financial condition and prospects.

***Our framework and conditional agreements may not result in material sales of our products.***

We have entered into a number of long-term agreements with customers relating to the sale of our products. Some of these agreements are conditional, and our counterparty is not obligated to purchase our products unless a number of conditions are satisfied. Some other agreements are framework agreements containing sales targets, but that does not obligate our counterparties to purchase our products at all. We expect the number of orders and pre-orders we receive under these framework agreements to depend on a number of factors, including changes in the regulatory environment, customers' acceptance of and demand for our products and services and our production capacity. For the foregoing reasons, we may not receive substantial orders from our current or potential customers. As our long-term agreements may not result in material sales of our products, our future results of operations may not scale or otherwise meet our current expectations.

***We have substantial customer concentration.***

In 2023, 2024 and 2025, our largest customer accounted for 24%, 26% and 24% of our revenues, respectively. There are inherent risks whenever a large percentage of revenues are concentrated with a limited number of customers that mainly operate our pilotless eVTOL aircraft in tourism locations in China, rather than in broad, mainstream commercial operations. We are unable to predict the future level of demand for our products and/or services that will be generated by these customers. If our major customers were to cease purchasing our products or services, cancel existing orders or fail to make payments to us in a timely fashion, our business and results of operations will be materially and adversely affected.

***Our technology platform may not perform in line with customer specifications or expectations.***

Our eVTOL aircraft and other UAVs, as well as the related technology systems such as in-flight operating systems and on-the-ground infrastructure, may not perform in line with customers' expectations or prescribed technical specifications, and our related support services may from time to time experience outages, service slowdowns or errors. For example, our eVTOL products may not be as easy to operate or maintain as customers expect, and customers may experience service failures or interruptions due to defects in software, infrastructure, components or engineering systems, or due to errors in product installation. In addition, certain orders and pre-orders of our eVTOL products are conditioned on their meeting with defined technical specifications (such as a specified cruising speed, operational range and payload capacity) according to agreed-upon delivery timetables. Future customers may also require performance specifications that we are unable to deliver. Some of these technical specifications prescribed by customers, such as those dependent on battery technology, are constrained by the pace of general technological advancement and the capabilities of our suppliers, which are largely beyond our control.

Our technology systems may contain design or manufacturing defects that result in unsatisfactory performance or require repair. Our technology systems use a substantial amount of algorithms and software to operate. Software products are inherently complex and may contain "bugs" that can unexpectedly interfere with intended operations, especially when first introduced. Defects may also occur in components, processes or infrastructure used in our products or for our services. While we have performed extensive internal testing on our software and hardware systems and have obtained the airworthiness certification, we have a limited frame of reference by which to evaluate the long-term performance of our technology systems. There can be no assurance that we will be able to detect and fix all defects in our hardware and software before we sell products and services to customers.

If our technology systems are defective or otherwise fails to perform as expected or in accordance with prescribed technical specifications and timetable, or if our services experience outages or interruptions, our products may experience accidents and we may suffer adverse publicity, order cancelations, revenue declines, delivery delays, product recalls, product liability claims, and significant warranty and other expenses, decreases in customer confidence and loyalty, loss of market share to competitors, and harm to our reputation. These consequences could have a material adverse impact on our business, financial condition, operating results and prospects.

***Our reputation and the trading price of the ADSs may be negatively affected by adverse publicity or detrimental conduct against us.***

Adverse publicity concerning our failure or perceived failure to comply with legal and regulatory requirements, alleged accounting or financial reporting irregularities, regulatory scrutiny and further regulatory action or litigation could harm our reputation and cause the trading price of the ADSs to decline and fluctuate significantly. For example, after Wolfpack Research, an entity unrelated to us, issued a report containing various allegations about us in February 2021, the trading price of the ADSs declined sharply. The negative publicity and the resulting decline of the trading price of the ADSs also led to the filing of three putative shareholder class action lawsuits against us and some of our senior executive officers. Though unsuccessful, these lawsuits had further negative impact on the market price of the ADSs and diverted management's attention from the day-to-day operations of our company. Additionally, in November 2023, short seller Hindenburg Research published a report containing untrue statements and misinterpretation of information regarding our business operations and financial conditions. Our audit committee has conducted an independent review of the allegations raised in the report with the assistance of independent counsel and the independent review is complete. Based on such independent review, our audit committee has concluded that the allegations in the report published by Hindenburg Research were not substantiated. The report also led to the filing of a securities class action complaint against us and certain of our officers and directors. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." Our management and audit committee conducted additional procedures and actions to mitigate risks of the short seller allegations. However, we may be constrained in the manner in which we can proceed against the relevant short sellers by principles of freedom of speech, applicable state law or issues of commercial confidentiality.

We may continue to be the target of adverse publicity and detrimental conduct against us, including complaints, anonymous or otherwise, to regulatory agencies regarding our operations, accounting, revenues and regulatory compliance. Additionally, allegations against us may be posted on the internet by any person or entity which identifies itself or on an anonymous basis. We, the VIE and the VIE's subsidiaries may be subject to government or regulatory investigation or inquiries, or shareholder lawsuits, as a result of such third-party conduct and may be required to incur significant time and substantial costs to defend ourselves, and there is no assurance that we, the VIE and the VIE's subsidiaries will be able to conclusively refute each of the allegations within a reasonable period of time or at all. Our reputation may also be negatively affected as a result of the public dissemination of allegations or malicious statements about us, which in turn may materially and adversely affect the trading price of the ADSs.

***We are a relatively young company with a short operating history, and we may not be able to sustain our rapid growth, effectively manage our growth or implement our business strategies.***

We, the VIE and the VIE's subsidiaries have been providing UAV commercial solutions since 2014. Although we have experienced growth, our historical performance may not be indicative of our future performance due to our limited operating history. We are currently commercializing our products and air mobility solutions, and have a short history of accepting orders for our products and delivering them to customers for testing, training, demonstration and limited trial operation purposes. There is only a limited historical basis for making judgments on the demand for our products and services or our ability to produce and deliver products and air mobility solutions, or to become profitable in the future.

You should consider our business and future prospects in light of the risks and challenges we face as a new entrant to a nascent industry and to overseas markets, including risks and challenges associated with our ability to:

- provide safe, convenient and effective air mobility solutions;
- maintain reliable, secure, high-performance and scalable infrastructure;
- identify suitable facilities to expand manufacturing capacity;
- navigate the evolving and complex regulatory environment across all the markets in which we operate;
- anticipate and adapt to changing market conditions, including technological developments and changes in the competitive landscape, and adjust, manage and execute our marketing and sales activities to cater to local economic and demographic conditions, cultural differences and customer preferences across all our current and future markets;
- successfully market our commercial solutions;
- improve and maintain our operational efficiency; and
- attract, retain and motivate talented employees.

If we fail to address any or all of these risks and challenges, our business may be materially and adversely affected.

As our business grows, we, the VIE or the VIE's subsidiaries may adjust our product and service offerings. These adjustments may not bring about expected results and may instead have a material and adverse impact on our financial condition and results of operations. For example, we and the VIE historically manufactured and sold consumer drones while we and the VIE were developing our pilotless eVTOL aircraft and commercial solutions. Our consumer drone business was not successful. We and the VIE gradually phased out this business to focus on more innovative products and services. Our revenue structure may continue to evolve in response to market demand. Our growth is dependent on the development of such new products and services. We may not accurately identify market needs before we invest in the development of a new product or a new service. In addition, we might face difficulties or delays in the development process, which may result in losses in our market share and competitive advantages.

In pursuit of our growth strategy, we, the VIE or the VIE's subsidiaries may enter into new strategic relationships to further penetrate our targeted markets. Should these relationships fail to materialize and develop into demand or orders for our products and services, or should we fail to work effectively with these companies, we may lose opportunities to generate sales growth and our business, results of operations and financial condition could be adversely affected.

***Our UAVs and commercial solutions are subject to safety standards, and the failure to satisfy such mandated safety standards or failure to design, manufacture and operate safe and high-performance products and related operating systems and infrastructure would have a material adverse effect on our business and operating results.***

Sales of our products must comply with applicable standards in the market where they are sold, including standards on design, manufacturing and operation. In China, for example, certain components of our products must pass various tests and undergo a certification process and be affixed with a China Compulsory Certificate, or CCC, before they can be installed on our products. We cannot assure you that we have obtained the CCC for all the components of our products that are listed in the CCC Product Catalogue. Failure to install components with a CCC may prevent us from selling the affected products and negatively affect our manufacturing and sales of our products. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation" for further details. In the United States, the FAA oversees the safety of aircraft operations in the national airspace system and has the authority to grant AC and related exemptions to unmanned aircraft systems. If we fail to have our products satisfy applicable aerial vehicle standards in any jurisdiction where we operate, our business and operating results would be adversely affected. To achieve a high level of safety assurance, we have also established our own products safety standards. While we are committed to producing safe and high-quality products, there can be no assurance that our safety technology will be effective in preventing incidents related to product safety, such as accidents involving our products. Failure to ensure the safe operation of our products will affect our reputation and the sales of our products, which will ultimately adversely affect our business operation and financial results.

***We have incurred, and in the future may continue to incur, net losses.***

We have incurred net losses in the past. In 2023, 2024 and 2025, we had net losses of RMB302.3 million, RMB230.0 million and RMB276.4 million (US\$39.5 million), respectively. We had net operating cash outflows of RMB88.4 million and RMB179.5 million (US\$25.7 million) in 2023 and 2025, respectively, and net operating cash inflows of RMB158.0 million in 2024. We expect our net losses to decrease in future periods as we continue to expand our business and operations. See “Item 5. Operating and Financial Review Prospect—B. Liquidity and Capital Resources” for more information on our liquidity and capital resources. We also expect to incur substantial costs and expenses as a result of being a public company.

We cannot assure you that we will be able to generate net profits or positive operating cash flows in the future. Our ability to achieve profitability depends in large part on, among other factors, our ability to increase orders and sales of our eVTOL aircraft and other UAVs, commercial solutions and services, achieve economies of scale, establish effective pricing strategies, effectively navigate the regulatory environments in different jurisdictions, and increase operational efficiency. If we are unable to generate adequate revenues or effectively manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or subsequently maintain profitability.

***We may not be successful in competing in the UAV industry.***

We operate in the AAM industry and provide various products and services. In addition to competing with other AAM companies, we compete with traditional industry players providing similar products and services, such as aircraft and ground transportation service providers. Many of our current and potential competitors, particularly international competitors, have significantly greater financial, technical, manufacturing, marketing, and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale, and support of their products.

We expect competition in our industry to intensify in the future in light of increased demand for alternative transportation, continuing globalization, and consolidation in the global AAM industry. Factors affecting competition include, among others, ability to innovate, development speed, product quality, reliability, safety and features, pricing, and customer service. Increased competition may lead to lower product unit sales and increased inventory, which may result in downward price pressure and adversely affect our business, financial condition, operating results, and prospects.

Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and will affect our market share. If our competitors introduce products or services that are superior in quality or performance and/or lower in price compared with our offerings, we may lose existing customers or be unable to attract new customers at prices that would allow us to generate attractive rates of return on our investment, if at all.

***Any significant cybersecurity incident or disruption to our operating systems, command-and-control systems, or information systems and infrastructure could subject us to significant reputational, financial, legal and operational consequences.***

We depend on our and the VIE’s integrated in-flight operating systems and on-the-ground infrastructure to operate our products and services. Any material disruption to or slowdown of our operating systems or infrastructure could cause our products to malfunction or result in outages or delays in our services, which could harm our brand and adversely affect our operating results.

Our command-and-control systems rely on our proprietary cloud database, which can store data collected under our clients’ approvals. Problems with our command-and-control systems or our telecommunications network providers could adversely affect our services and products. Our telecommunications network providers could decide to cease providing services to us without adequate notice. Any change in service levels of our telecommunications network or any errors, defects, disruptions or other performance problems with our operating systems or infrastructure could harm our brand and potentially affect our user data. If changes in technology cause our operating systems or infrastructure to become obsolete, or if our operating systems or command-and-control systems are inadequate to support our growth, we could lose customers, and our business and operating results could be adversely affected.

We could be subject to breaches of security by hackers. Although we proactively employ multiple measures to defend our systems against intrusions and attacks, our measures may not prevent unauthorized access or use of sensitive data. A breach of our UAV operating systems or command-and-control systems may result in product damages, data losses and, in extreme cases, accidents or hijacking of our UAVs to perform unlawful activities.

A cybersecurity breach could harm our reputation and deter our customers and potential customers from using our products. In addition, any such breach could cause us to incur costs to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny, subject us to lawsuits and result in the imposition of material penalties and fines.

In addition, we rely on information technology systems that we or our third-party providers operate to process, transmit and store electronic information in our day-to-day operations. A successful cyberattack or other cybersecurity incident could result in the theft or destruction of our operational, financial and other data, or other misappropriation of assets, or otherwise compromise our confidential or proprietary information and disrupt our operations. Cybersecurity incidents are increasing in their frequency, sophistication, level of persistence and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. Cyberattacks could include wrongful conduct by hostile foreign governments, industrial espionage, wire fraud and other forms of cyber fraud, the deployment of harmful malware, denial-of-service, ransomware, social engineering fraud or other means to threaten data security, confidentiality, integrity and availability. For example, in July 2023, we experienced a cybersecurity incident that caused a temporary disruption in accessing specific approval processes within our internal and independently functioning approval OA system. To mitigate the impact, we undertook several measures, including promptly restored a backup version. The OA system has no direct interface with other operational or financial systems, and no sensitive data leakage was reported up to the date of this annual report. We believe the impacts of the cybersecurity incident were immaterial. We may also experience cybersecurity incidents that may remain undetected for an extended period. A successful cyberattack could cause serious negative consequences for us, including, without limitation, the disruption of operations, the misappropriation of confidential business information, including financial information, trade secrets, financial loss and the disclosure of corporate strategic plans. Although we devote resources to protect our information systems, we realize that cybersecurity incidents are a threat, and there can be no assurance that our efforts will prevent cybersecurity incidents that would result in business, legal, financial or reputational harm to us, or would have a material adverse effect on our results of operations and financial condition.

***An accident involving a UAV provided by us or another manufacturer or operator could harm the UAV industry.***

An accident involving a UAV provided by us or another manufacturer or operator could cause regulatory agencies around the world to tighten restrictions on the use of UAVs, particularly over-populated areas, and could cause the public to lose confidence in our products and UAVs generally. There are risks associated with autopilot, flight control, communications and other advanced technologies, and, from time to time, there have been accidents associated with these technologies. The safety of certain cutting-edge technologies depends in part on user interaction, and users may not be accustomed to using such technologies. We, the VIE or the VIE's subsidiaries could face unfavorable and tightened regulatory control and intervention on the use of autopilot and other advanced technologies and be subject to liability and government scrutiny to the extent accidents associated with our autonomous navigation systems occur. Should a high-profile accident occur resulting in substantial casualty or damages, either involving our UAVs or products offered by other companies, public confidence in and regulatory attitudes toward UAVs could deteriorate. Any of the foregoing could materially and adversely affect our results of operations, financial condition and growth prospects.

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

Our products may not perform in line with customers' expectations. Any product defects, accidents or any other failure of our products to perform as expected could harm our reputation and result in adverse publicity, revenue loss, delivery delays and product recalls, which could harm our brand and reputation. Any product recall or lawsuit seeking significant monetary damages either in excess of or outside of our insurance coverage may have a material adverse effect on our business and financial condition. In the future, we may, voluntarily or involuntarily, initiate a recall if any of our products, including any systems or components sourced from our suppliers, prove to be defective or noncompliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary and whether caused by systems or components engineered or manufactured by us or our suppliers, could incur significant expenses and adversely affect our brand image in our target markets. They may also inhibit or prevent commercialization of our current and future product candidates.

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

We may be exposed to significant product liability claims if our products do not perform as expected or malfunction. Any defects, errors, or failures in our products or the misuse of our products, operating systems and infrastructure could also result in injury, death or property damage. Our risks in this area are particularly pronounced given we have limited field experience in the operation of our products. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of our current and future models. Our insurance coverage might not be sufficient to cover all potential product liability claims. In addition, the same level of insurance coverage may not be available in the future at economical prices, or at all. Even if we are fully insured as it relates to a claim, the claim could nevertheless diminish our brand and divert management's attention and resources, which could have a negative impact on our business, financial condition and result of operations.

We generally provide standard warranties on our products. The term of a warranty is between six months to three years, depending on the product line and the specific part or component. The occurrence of any material defects in our products could make us liable for damages and warranty claims. In addition, we could incur significant costs to correct any defects or other problems, including costs related to product recalls. Warranty claims may also lead to litigation. Any negative publicity related to the perceived quality of our products could affect our brand image, decrease retailer, distributor and customer demand, and adversely affect our operating results and financial condition.

***If we fail to successfully develop and commercialize new products, services and technologies that are well received by customers, our operating results may be materially and adversely affected.***

Our future growth depends on whether we can continually develop and introduce new generations of our existing product lines and update our operating systems and infrastructure with enhanced functionalities and value-added services. This is particularly important in the current industry landscape where technologies and consumer preferences evolve rapidly, which may shorten the lifecycles of our existing products. We plan to upgrade our current models and introduce new models in order to continue to provide products with the latest technologies. As technological advancements can be complex and costly, we could experience delays in the development and introduction of new products and services in the future.

Our ability to roll out new and innovative products and services depends on a number of factors, including significant investments in research and development, quality control of our products and services, effective management of our supply chain and required certifications. We may need to devote more resources to the research and development of new or enhanced products, services and technologies, which may reduce our profitability. In addition, our research and development efforts may not yield the benefits we expect to achieve in a timely manner, or at all. To the extent that we are unable to execute our strategy of continuously introducing new and innovative products, diversifying our product portfolio and satisfying consumers' changing preferences, we may not be able to grow our user base, and our competitive position and results of operations may be adversely affected. Even if we are able to keep up with technological changes and develop new models, our prior models may as a result become obsolete sooner than expected, potentially reducing our return on investment.

***We have limited experience in managing sales to multiple countries and we are subject to a variety of costs and risks due to our continued international expansion.***

We delivered six, eight and five EH216 series products abroad in 2023, 2024 and 2025, respectively. We have entered into sales contracts with customers outside China. In 2023, we delivered our EH216 series products to customers in Japan, Brazil, Columbia, Saudi Arab and Qatar. In 2024, we delivered our EH216 series products to customers in Japan, Brazil, the United Arab Emirates and the Dominican Republic. In 2025, we delivered five units of the EH216 series products to customers in Malaysia, Thailand, South Korea and Japan. As international expansion is one of our core strategies, we expect our international sales to increase in the future. In markets outside China, we generally have less experience in marketing, selling and deploying our products. International expansion has required and will continue to require us to invest significant capital and other resources, and our efforts may not be successful. International sales and operations are subject to risks such as:

- limited brand recognition;
- costs associated with establishing new distribution networks;
- difficulty in finding qualified partners for overseas distribution;
- inability to anticipate changes in local market conditions, economic landscapes, and consumers' preferences and customs;
- difficulties in staffing and managing foreign operations;
- lack of familiarity with and understanding of the local legal, regulatory and policy frameworks, as well as burdens of complying with a wide variety of local laws and regulations, including those governing personal data protection and safety control;
- political and economic instability;
- trade restrictions;
- differing employment laws and practices, as well as potential labor disruptions;
- the imposition of government controls;
- lesser degrees of intellectual property protection;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies; and
- a legal system subject to undue influence or corruption.

Additionally, to export our products to certain jurisdictions, we may face challenges in coordinating with both PRC and the applicable foreign governments and regulatory authorities. Moreover, our eVTOL products may be required to obtain a TC or other relevant certifications from the aviation authorities of the importing country before they can be commercially operated in those jurisdictions. The process of obtaining such certifications can be time-consuming, costly, and subject to significant uncertainty, as it often involves rigorous technical reviews and compliance with local aviation standards, which may differ from those in the PRC. Delays or failures in securing the necessary certifications could hinder or prevent our ability to export and commercialize our products in certain markets, and our business, prospects, financial condition and operating results may be materially and adversely impacted.

The failure to manage any of these risks could negatively affect our international business and consequently our overall business and operating results. In addition, the concern over these risks may also prevent us from entering into, or marketing, selling or releasing certain of our products and commercial solutions and related services in, certain markets.

***We may rely on some third-party distributors for sales, marketing and distribution activities relating to our products.***

Some of our business partners act as third-party distributors that sell, market and distribute our products to their customers. Such third-party distributors may contribute a substantial portion of our revenue. When goods are shipped to distributor, who acknowledged the receipt of goods, control of the goods is transferred to the distributor. We recognize the revenue once control passes to the distributor, and other conditions as set out in ASC 606 are met. We started our distributor model in 2024. Accordingly, we may be subject to a number of risks associated with third-party distributors. If our distributors are not able to effectively distribute our products to their downstream customers, their future purchases from us and our financial performance may in turn be adversely affected. Besides, our distributors may engage in various forms of misconduct, even if we prohibit them from doing so in our agreements with them, including but not limited to, unauthorized sales of products or distribution into regions that violate exclusive distribution rights, unauthorized or improper use of our brand name, inadequate promotion of our products. In addition, third-party distributors may terminate their arrangements with us on limited or no notice, or may change the terms of these arrangements in a manner that is unfavorable to us for reasons outside of our control; and any disagreements with our third-party distributors could lead to costly and time-consuming litigation or arbitration.

***Our operations may be interrupted by production difficulties or delays due to mechanical failures, utility shortages or stoppages, fire, natural disaster or other calamities at or near our facilities.***

Production difficulties, such as capacity constraints, mechanical and systems failures and the need for equipment upgrades, may suspend our production and/or reduce our output. There can be no assurance that we will not experience problems with our production facilities in the future or that we will be able to address any such problems in a timely manner. Problems with key equipment in one or more of our production facilities may affect our ability to produce our products or cause us to incur significant expenses to repair or replace such equipment. Scheduled and unscheduled maintenance programs may affect our production output. Any of these could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on a continuous supply of utilities, such as electricity and water, to operate our production facilities. Any disruption to the supply of electricity or other utilities may disrupt our production, or cause the deterioration or loss of our inventory. This could adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business and results of operations.

In addition, we are vulnerable to natural disasters and other calamities such as hurricanes, tornadoes, floods, earthquakes and other adverse weather and climate conditions. Although we have servers that are hosted in an offsite location, our backup system does not capture data on a real-time basis, and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

***Our success depends on the continuing efforts of our key employees, including our senior management members and other key personnel. If we fail to hire, retain and motivate our key employees, we could lose the innovation, collaboration and focus that contribute to our business.***

We believe that our success depends substantially on the continued efforts of our key employees, including our senior management members and other qualified and key personnel. We rely on our executive officers, senior management and key employees to generate business and execute programs successfully. In addition, the relationships and reputation that members of our management and key employees have established and maintain with government personnel contribute to our ability to maintain good customer relations and to identify new business opportunities. The loss of any key personnel or our failure to attract additional talent could reduce our employee retention, disrupt our research and development activities and operations, and impair our revenue growth and competitiveness. 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, and we might lose the innovation, collaboration and focus that contribute to our business.

***Our business and prospects depend significantly on our ability to build our EHang brand.***

Our business and prospects are heavily dependent on our ability to build, maintain and strengthen the EHang brand. If we do not continue to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will likely depend significantly on our ability to provide high-quality products and commercial solutions and engage with our customers as intended. In addition, we expect that our ability to develop, maintain and strengthen the EHang brand will also depend heavily on the success of our user development and branding efforts. Such efforts mainly include building a community of engaged online and offline users as well as other branding initiatives, such as product shows and events. To promote our brand, we may be required to change our user development and branding practices, which could result in substantially increased expenses. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

Our EHang brand could be subject to adverse publicity if incidents related to our products occur or are perceived to have occurred, whether or not we are at fault. In particular, given the popularity of social media, including WeChat and Weibo in China, any negative publicity, regardless of its truthfulness, could quickly proliferate and harm consumer perceptions of and confidence in our brand. Furthermore, we may be affected by adverse publicity related to our manufacturing or other partners, whether or not such publicity is related to their collaboration with us. Our ability to successfully position our brand could also be adversely affected by perceptions of the quality of our partners' products and services. In addition, from time to time, our products and commercial solutions are evaluated and reviewed by third parties. Any unfavorable reviews could adversely affect consumer perceptions of our products and commercial solutions.

In addition, our brand may be negatively impacted by the misuse or misrepresentation of the EHang name by third parties. For example, there have been instances where third parties have impersonated EHang employees to conduct commercial activities, which could mislead customers and damage our reputation. Furthermore, insufficient protection of our brand name has led to the registration of companies in various regions using the EHang name to engage in similar business activities. Such unauthorized use of our brand by unrelated entities may cause confusion in the market, dilute our brand value, and adversely affect consumer trust and our competitive position. If we are unable to effectively prevent or address these issues, our business, prospects, financial condition, and operating results could be materially and adversely affected.

***Weather and seasonality may have a material adverse effect on our operations.***

Our sales of products and commercial solutions may be affected by weather and seasonality. Our commercial solutions are mainly delivered outdoors. Customers may choose alternative transportation in severe weather conditions in consideration of safety factors, even if our products are able to endure such conditions. As a result, our business, financial condition and operating results may be materially and adversely impacted by the weather conditions. Our operating results may vary from period to period due to many factors, including seasonal factors that may have an effect on the demand for our commercial solutions in the future. As a result, our quarterly results of operations and financial position at the end of a particular quarter may not necessarily be representative of the results we expect at year-end or in other quarters of a year. Our operating results would suffer if we did not achieve revenues consistent with our expectations due to seasonal demand and weather changes because many of our expenses are based on anticipated levels of annual revenues.

***Any decline in the business of our business partners or the deterioration of our relationship with them could have a material adverse effect on our operating results.***

We collaborate with various business partners to promote our products and commercial solutions. There can be no guarantee that those business partners will continue to collaborate with us in the future. If we are unable to maintain good relationships with our business partners, or the business of our business partners declines, the reach of our products and services may be adversely affected and our ability to maintain and expand our user base may decrease.

Most of the agreements with our business partners do not prohibit them from working with our competitors or from offering competing services. If our partners change their standard terms and conditions in a manner that is detrimental to our business, or if our business partners decide not to continue working with us, or choose to devote more resources to supporting our competitors or their own competing products, we may not be able to find a substitute on commercially favorable terms, or at all, and our competitive advantages may diminish.

***We rely on external suppliers for raw materials and certain key externally sourced components and parts used in the assembly of our products, and have limited control over the quality of these components and parts.***

We purchase certain key externally sourced components and raw materials, such as computers chips, batteries, motors and electronic displays, from external suppliers for use in our assembly, production and operations of our products. A continuous and stable supply of components and raw materials that meet our standards is crucial to our assembly, production and operations. We cannot assure you that we will be able to maintain our existing relationships with our suppliers and continue to be able to stably source key components and raw materials at reasonable prices, or at all. We have integrated our suppliers' technologies within our products such that having to change to an alternative supplier may cause significant disruption to our operations. The supply of key components could be interrupted for any reason, or there could be significant increases in the prices of these key components. Additionally, changes in business conditions, force majeure, governmental changes and other factors beyond our control, or that we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. If any of these events occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We cannot guarantee that the quality of components and parts manufactured by external suppliers will be consistent and maintained at 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 products and hence compromise our brand image and results of operations. In extreme situations, we may be exposed to liabilities as a result of significant damages caused by certain components from external suppliers and we cannot assure you that we will be able to obtain sufficient insurance coverage at an acceptable cost in the future. A successful claim brought against us in excess of our available insurance coverage may have a material adverse effect on our business, financial condition and operating results.

***Safety issues or public perceptions of safety issues concerning lithium-ion batteries could have a material adverse impact on our business.***

The battery packs installed on our products make use of lithium-ion cells. 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. While the battery packs used for our products are designed to passively contain any single cell's release of energy without spreading to neighboring cells, a field or testing failure of our products could occur, which could result in accidents, casualty or damages, and subject us to lawsuits, product recalls, and/or redesign efforts. Also, negative public perceptions regarding the suitability of lithium-ion cells for aircraft applications or any future incident involving lithium-ion cells, even if such incident does not involve our products, could seriously harm our business. In addition, we store a significant number of 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.

***We rely on third-party logistics providers to deliver our domestic sales orders and certain overseas orders. Inadequate third-party logistics services or failure to mitigate the risks of damage or disruption to our distribution logistics could adversely affect our business.***

Our ability to transport and sell our products is critical to our success across our operations. We typically rely on third-party logistics service providers to deliver our domestic sales orders and certain overseas orders. Damage or disruption to our distribution logistics due to disputes, weather, natural disasters, fire, explosions, terrorism, pandemics or labor strikes could impair our ability to distribute or sell our products. Inadequate third-party logistics services could also potentially disrupt our distribution and sales and compromise our business reputation. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

***If we fail to comply with environmental protection and work safety laws and regulations, we could become subject to fines or penalties or incur costs that could harm our business.***

We are subject to numerous environmental protection and work safety laws and regulations. For more details, see “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Environmental Protection and Work Safety.” We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with such laws and regulations. Environmental and social laws and regulations have tended to become increasingly stringent. There has been increased global focus on environmental and social issues and it is possible that China may potentially adopt more stringent standards or new regulations in these areas. To the extent regulatory changes occur in the future, they could result in, among other things, increased costs to our company. In addition, we may incur substantial costs in order to comply with current or future environmental protection and work safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

***If our business partners, contractors, suppliers, sales agents, dealers or third-party logistics services providers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity beyond our own control.***

Our reputation is sensitive to allegations of unethical business practices. We do not control the business practices of our business partners, independent contractors and suppliers, sales agents, dealers or third-party logistics services providers. Accordingly, we cannot guarantee their 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, sales agents or dealers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations. Violation of labor or other laws by our suppliers, business partners, sales agent, dealers or third-party logistics services suppliers or the divergence of their labor or other practices from those generally accepted as ethical in the markets in which we do business could also attract negative publicity, diminish our brand image and reduce demand for our products and commercial solutions.

***If customers modify our products or operating systems, the products may not operate properly, which may cause damage, create negative publicity and harm our business.***

Our customers may try to modify our products or operating systems for various reasons, which could compromise the performance and safety of our products, as well as the safety of their passengers. During such modifications, they may use third-party parts that may not be compatible with our products. We do not test, nor do we endorse, such modification. In addition, the use of improper external cabling or unsafe charging outlets can expose our customers to injury from product malfunctioning. Any injuries or damages resulting from such modifications or misuses could result in adverse publicity, which would negatively affect our brand and harm our business, prospects, financial condition and operating results.

***A new health epidemic could significantly disrupt our operations and adversely affect our results of operations.***

Our business could be significantly affected by public health epidemics that may hit China and/or other countries where we sell our products, such as the outbreak of coronavirus, avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus or other disease. For example, the severity of the past COVID-19 pandemic resulted in lock-downs, travel restrictions and quarantines imposed by governments across the world and materially affected general commercial activities on a global scale. In 2022, we experienced delayed fulfillments from suppliers as well as reduced demand for our products from the tourism sector, which suffered disproportionately from the pandemic. The majority of our revenue generated from sales of the EH216 series products are from a limited number of customers that mainly operate our products in tourism locations in China, rather than in broad, mainstream commercial operations. Therefore, in 2021 and 2022, we faced delayed collection of our accounts receivable from some of our customers later than the due dates. A COVID-19 outbreak may result in these customers ceasing purchases, canceling or reducing orders for our products or services, or failing to make payments owed to us in a timely manner or at all, which may materially and adversely impact our business and result of operations. The COVID-19 pandemic had caused an economic downturn in many countries. Such general economic slowdown may reduce the demand for our products and services. Any future outbreak of a contagious disease, and other adverse public health developments may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our production facilities and offices or otherwise disrupt our business operations and adversely affect our results of operations.

***Heightened tensions in international relations, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.***

Recently there have been heightened tensions in international relations, particularly between the United States and China. These tensions have affected both diplomatic and economic ties among countries. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between the major economies. The existing tensions and any further deterioration in the relationship between the United States and China may have a negative impact on the general, economic, political, and social conditions in both countries and, given our reliance on the Chinese market, adversely impact our business, financial condition, and results of operations.

On August 9, 2023, the Biden administration released an executive order and an advanced notice of proposed rule-making, providing a conceptual framework for the Outbound Investment Security Program (“OISP”) focused on China. On June 21, 2024, the U.S. Department of the Treasury, or the Treasury, issued a proposed rule for the OSIP. On October 28, 2024, the Treasury issued a Final Rule to implement the executive order of August 9, 2023. The Final Rule became effective on January 2, 2025. The Final Rule targets investments by U.S. persons that involve natural persons and entities associated with “countries of concern,” currently China, including Hong Kong and Macau, and it imposes investment prohibition and notification requirements on a wide range of investments in companies engaged in certain types of activities relating to three sectors: (1) advanced microchips and microelectronics, (2) quantum computing, and (3) artificial intelligence systems, or collectively the Covered Activities, with persons from countries of concern engaged in these Covered Activities defined as “Covered Foreign Persons.” The OISP could apply to certain U.S. persons (including their controlled foreign entities, if applicable) outside the United States who may participate in investments through offshore transactions in accordance with Regulation S. Investments by U.S. persons subject to the Final Rule, which are defined as “covered transactions,” include acquisitions of equity interests, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities listed on a national stock exchange. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us. Because we are not involved in any Covered Activities, including that our aircraft do not rely on AI systems such as machine learning, neural networks or generative models for takeoff, navigation and landing, we do not believe that we are a Covered Foreign Person under the Final Rule. Accordingly, we do not believe that the Final Rule’s prohibitions and notification requirements are applicable to our securities offerings. However, if we were to be deemed a Covered Foreign Person engaged in Covered Activities, the Final Rule could limit our ability to raise capital from U.S. investors generally, in which case our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our business, financial condition and prospects.

The OISP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and the availability of exceptions to the OISP’s prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled “America First Trade Policy,” which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OISP to determine if it includes “sufficient controls to address national security threats” and to determine whether the executive order implementing the OISP “should be modified or rescinded and replaced.” In addition, on February 21, 2025, U.S. President Donald J. Trump issued a memo entitled the “America First Investment Policy,” or the America First Memo. The America First Memo states that Executive Order 14105 is under review by President Trump’s administration and that the review will consider new or expanded restrictions on United States outbound investment in the PRC in sectors such as semiconductors, artificial intelligence, quantum, biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas implicated by the PRC’s national Military-Civil Fusion strategy. The America First Memo also states that the review will consider applying restrictions on a range of investment types including investments in publicly traded securities from sources including pension funds, university endowments and other limited partner investors. If related regulatory requirements are imposed in the future, they could be detrimental to U.S.-China relations, which may adversely affect our business, financial condition and prospects.

***We, the VIE and the VIE’s subsidiaries may need to defend ourselves against claims of intellectual property infringement, which may be time-consuming and costly.***

Companies, organizations or individuals, including our competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop, sell or market our products, operating systems and infrastructure or their components, which could make it more difficult for us to operate our business. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights by us, the VIE or the VIE’s subsidiaries or otherwise assert their rights against us, the VIE or the VIE’s subsidiaries. Moreover, our, the VIE’s or its subsidiaries’ applications and uses of trademarks relating to design, software or artificial intelligence technologies could be found to infringe upon existing trademark ownership and rights. We, the VIE or the VIE’s subsidiaries may also fail to apply for key trademarks in a timely manner. For example, there are some precedent registrations by several other Chinese companies of the trademark “亿航” (the Chinese characters for our brand, “EHang”) for vehicles and bicycles, which fall into the same class of products as remote aerial vehicles and aerospace transportation. Although we received a favorable judgement in a proceeding relating to such precedent registrations, we may continue to face intellectual property infringement claims in the future.

If we, the VIE or the VIE’s subsidiaries are determined to have infringed upon a third party’s intellectual property rights, the VIE or the VIE’s subsidiaries may be required to do one or more of the following:

- cease selling, incorporating certain components into, or using products 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 license may not be available on reasonable terms or at all;
- redesign our, the VIE’s or its subsidiaries’ products, operating systems and infrastructure, components or services; or
- establish and maintain alternative branding for our, the VIE’s or its subsidiaries’ products and services.

In the event of a successful claim of infringement against us, the VIE or the VIE’s subsidiaries and our, the VIE’s or its subsidiaries’ failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, prospects, operating results and financial condition could be materially and adversely affected. In addition, any litigation or claims, even if frivolous, could result in substantial costs, negative publicity and diversion of resources and management attention.

***Our or the VIE’s intellectual property rights may not protect us effectively.***

As of December 31, 2025, we and the VIE together owned 506 issued patents, 324 pending patent applications, 698 registered trademarks, and 25 registered software copyrights in relation to our and the VIE’s technologies. We cannot assure you that our or the VIE’s pending patent applications will be granted. Even if our or the VIE’s applications are successful, patents may be contested, circumvented or invalidated in the future.

In addition, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages. The claims under any patents that are issued from our or the VIE’s patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours or the VIE’s. It is also possible that the intellectual property rights of others could bar us or the VIE from licensing and exploiting any patents that are issued from our or the VIE’s pending applications. Numerous patents and pending patent applications owned by others exist in the fields in which we and the VIE have developed and are developing our technologies. These patents and patent applications might have priority over our or the VIE’s patent applications and could subject our or the VIE’s patent applications to invalidation. Finally, in addition to those who may claim priority, any of our or the VIE’s existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

Implementation and enforcement of PRC laws on intellectual property rights have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States or other developed countries. Furthermore, policing unauthorized use of proprietary technologies is difficult and expensive. We and the VIE rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our and the VIE's intellectual property rights. Despite our efforts to protect our and the VIE's proprietary rights, third parties may attempt to copy or otherwise obtain and use our or the VIE's intellectual property or seek court declarations that they do not infringe upon our or the VIE's intellectual property rights. Any unauthorized use of our or the VIE's intellectual property by third parties may adversely affect our current and future revenues and our reputation. Monitoring unauthorized use of our and the VIE's intellectual property is difficult and costly, and we cannot assure you that the steps we or the VIE have taken or will take will prevent misappropriation of our and the VIE's intellectual property. From time to time, we or the VIE may have to resort to litigation to enforce our and the VIE's intellectual property rights, which could result in substantial costs and diversion of our resources.

***Failure to safeguard personal information could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.***

Through our UAVs, app and command-and-control systems, we log information about each UAV's use, such as charge time, battery usage, mileage and location information, in order to aid us in vehicle diagnostics, repair and maintenance, as well as to help us customize and optimize the flying experience. Images and videos captured by cameras attached to our UAVs are stored on our servers, servers of third-party cloud storage providers or other servers designated by our customers. We, therefore, process, including but not limited to collect, store, process, use, transfer, provide, disclose and delete, personal data from our users in order to better understand and serve our users. Such personal data processing also enables our content feeds recommendation. Possession and use of our users' flying behavior and data in conducting our business may subject us to legislative and regulatory oversight in China and other jurisdictions, such as the European Union and the United States. For example, in January 2018, the European Union promulgated the General Data Protection Regulation to further protect fundamental rights in privacy and personal information so that members of the general public have more control over their personal information. Regulations in relevant jurisdictions may require us to obtain user consent for the collection of personal information, restrict our use of such personal information and hinder our ability to expand our user base. In the event of a data breach or other unauthorized access to our user data, we may have obligations to notify users about the incident and we may need to provide some form of remedy for the individuals affected by the incident.

Concerns or claims about our practices with regard to the processing of personal information or other privacy-related matters, even if unfounded, could damage our reputation and results of operations. In the PRC, governmental authorities have enacted a series of laws and regulations to enhance the protection of privacy and data. The PRC Constitution, the PRC Criminal Law, the Civil Code of the PRC, the Cybersecurity Law of the PRC and relevant regulations require network operators, which may include us, to ensure the security and stability of the services provided via network and protect individual privacy and the security of personal data in general by requiring the consent of internet users prior to the processing of their personal data. Under the Cybersecurity Law, the owners and administrators of networks and network service providers are subject to various personal information security protection obligations, including restrictions on the collection and use of personal information of users, and they are required to take steps to prevent personal data from being divulged, stolen, or tampered with. Regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to differing interpretations or significant changes, making the extent of our responsibilities in that regard uncertain. For example, on June 10, 2021, the Standing Committee of the National People's Congress, or SCNPC, promulgated the *Data Security Law of the People's Republic of China*, or the Data Security Law, effective from September 1, 2021. The Data Security Law provides that data processing activities that affects or may affect national security shall be subject to a data security review procedure. On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities, which called for a heightened scrutiny over overseas-listed China-based companies of their compliance with the laws and regulations regarding data security, cross-border data flow and management of confidential information, and such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. We may need to adjust our business to comply with data security requirements and other laws and regulations from time to time.

On August 20, 2021, the SCNPC promulgated the *Personal Information Protection Law of the People's Republic of China*, or the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

On November 14, 2021, the CAC publicly solicited opinions on *the Administration Regulations on Cyber Data Security (Draft for Comments)*, or the Draft Data Security Regulations. On September 24, 2024, PRC State Council promulgated the *Administration Regulations on Cyber Data Security*, or the Cyber Data Security Regulation, which became effective on January 1, 2025. The Cyber Data Security Regulation stipulates that network data processors processing personal information of more than 10 million users shall also comply with the provisions governing important data processor, including but not limited to: important data processor shall specify the person in charge of network data security and the management body for network data security. The management body for network data security shall perform the following responsibilities of network data security protection: (a) formulating and implementing network data security management systems and operation procedures as well as emergency response plans for network data security incidents; (b) organizing activities such as network data security risk monitoring, risk assessment, emergency drills, publicity, education and training on a regular basis, and promptly disposing of network data security risks and incidents; and (c) accepting and handling complaints and reports about network data security. In addition, the person in charge of network data security shall have professional knowledge of network data security and relevant management experience and shall be a member of the management team of the network data processor, with the right to directly report the situation of network data security to the relevant competent authority. Any failure, or perceived failure to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws and obligations may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims.

On December 31, 2021, the CAC, together with other regulatory authorities, published the *Administrative Provisions on Algorithm Recommendation for Internet Information Services*, or the Administrative Provisions on Algorithm Recommendation, effective on March 1, 2022. Pursuant to the Administrative Provisions on Algorithm Recommendation, users should be given an option to easily turn off algorithm recommendation services, and service providers shall, among others, establish and improve the management systems and technical measures for algorithm driven recommendation mechanism and regularly review, evaluate and verify the principle, models, data and application results of algorithms. The Company will closely monitor the regulatory development and adjust its business operation from time to time to comply with the regulations over algorithm.

Pursuant to the National Security Law issued by SCNPC on July 1, 2015, the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact national security of China. On December 28, 2021, the CAC together with other regulatory authorities officially announced the Cybersecurity Review Measures, which is consistent with the Cybersecurity Review Measures (Revision Draft for Comment) announced by the CAC on July 10, 2021. Pursuant to the Cybersecurity Review Measures, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by network platform operators which affects or may affect national security shall be subject to cybersecurity review. Network platform operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review if they intend to be listed abroad. On July 30, 2021, the State Council promulgated the *Regulations on Security Protection of Critical Information Infrastructure*, or the CIIO Regulations, which became effective on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to any important network facilities or information systems of an important industry or field such as public communication and information service, energy, transport, water conservation, finance, public services, e-government affairs, science and technology industry for national defense and other industries and sectors that may seriously endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector are responsible for formulating eligibility criteria and determining the critical information infrastructure 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, or CIIOs. As of the date of this annual report on Form 20-F, no detailed rules or interpretations have been issued and we have not been informed as a CIIO by any governmental authorities. Furthermore, the exact scope of CIIOs, under the current regulatory regime remains unclear, and the PRC governmental authorities may have discretion in the interpretation and enforcement of these laws and regulations. Therefore, it is uncertain whether we would be deemed as a CIIO under PRC law. If we are identified as CIIO, we will be subject to stricter requirements on business operations and cybersecurity compliance, and we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services, and if a cybersecurity review is applicable, we may be required to suspend providing any existing or new services to our users, and we may experience other disruptions of our operations.

In addition, the PRC regulatory authorities have recently taken steps to strengthen the regulations on data protection and conducted several rounds of relevant inspections. We have not been informed by the CAC of any further requirements of rectification. As laws and regulations in China on the protection of privacy and data are constantly evolving, complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could fail to meet certain requirements imposed on us by such laws, regulations or obligations. Any failure on our part to comply with applicable laws or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access, collection, transfer, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing users from using our platform or result in investigations, fines, suspension of our app, or other penalties by government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations. In addition, the interpretation and application of the aforementioned laws and regulations are often uncertain and in flux. Our practice may become inconsistent with these laws and regulations.

Our platform and internal systems depend on the ability of software and hardware developed and maintained internally and/or by third parties to store, retrieve, process and manage immense amounts of data, including personal information or other privacy-related matters. The software and hardware on which we rely may now or in the future contain undetected programming errors, bugs, or vulnerabilities which may result in errors or compromise our ability to protect the data of our users and in turn adversely affect our business, financial condition and operation results. Any systems failure or compromise of security that results in the unauthorized access to or release of the data, photo or messaging history of our users could significantly limit the adoption of our services, as well as harm our reputation and brand, result in litigation or regulatory investigations against us, and we could be subject to material liability or penalties. Additionally, we connect our platform with software development kit provided by third parties who may also process users' data. The integrity of our user data also depends on their ability to secure and protect the data they process. The risk that these types of events could seriously harm our business is likely to increase as we expand the scope of services we offer and as we increase the size of our user base.

We may also become subject to laws and regulations affecting data protection, data privacy and/or information security in other jurisdictions by virtue of having users who reside in these jurisdictions, even if we do not have a physical presence there. Many jurisdictions have in the past adopted, and may in the future adopt, new laws and regulations, or amendments to existing laws and regulations, affecting data protection, data privacy and/or information security, such as the General Data Protection Regulation, or the GDPR, adopted by the European Union that became fully effective on May 25, 2018. The interpretation and application of these laws or regulations are often uncertain and in flux. We cannot guarantee you that our practice is consistent with these laws and regulations and our practice may become inconsistent with these laws and regulations; if so, we could be subject to fines and orders requiring that we change our practices, which could have an adverse effect on our business and results of operations. Complying with new data laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

If users allege that we have improperly used, released or disclosed their personal information, we could face legal claims and reputational damage. We may incur significant expenses to comply with privacy, consumer protection and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. A major breach of our network security and systems could create serious negative consequences for our business and future prospects, including possible fines, penalties, reduced customer demand for our products, and harm to our reputation and brand. See “Item 4. Information on the Company—B. Business Overview—PRC Regulation” for further details.

***The execution of our business plans requires a significant amount of capital. In addition, our future capital needs may require us to sell additional equity or debt securities that may dilute the equity interests of 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 manufacturing capacity, roll out new products and solutions and provide commercial services. We may also need significant capital to maintain our existing property and equipment. We believe that our balances of cash and cash equivalents, short-term investments and restricted short-term deposits as of December 31, 2025 will be sufficient to meet our sustainable operations and material cash requirements, including capital expenditures, for at least the 12 months after the date of this annual report. Our expected sources of capital include both equity and debt financing. However, financing might not be available to us in a timely manner or on acceptable terms, or at all.

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 plans. These factors may make the timing, amount, 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, substantially change our current corporate structure, or even curtail or discontinue our operations.

In addition, our future capital needs and other business concerns could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute the equity interests of our shareholders. Additional indebtedness would increase our debt-service obligations and may be accompanied by covenants that would restrict our operations or our ability to pay dividends to our shareholders.

***We are subject to risks associated with strategic alliances or acquisitions. If we cannot manage the growth of our business or execute our strategies effectively, our business and prospects may be materially and adversely affected.***

We have entered into strategic alliances with various business partners, and may in the future enter into joint research and development agreements or co-branding agreements with 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 the third parties and increased 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. If any of these strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

Although we currently do not have any specific acquisition plans, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. In addition to any required shareholders’ approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in delays and increased costs, and may derail our business strategies if we fail to do so. 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 business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts 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. Moreover, the costs of identifying and consummating acquisitions may be significant.

***Our business could be adversely affected by trade tariffs or other trade barriers.***

In recent years, the U.S. government imposed additional tariffs on goods from China, including new tariffs implemented in 2025. In response, China has imposed retaliatory tariffs on goods imported from the United States. Additionally, the European Union has imposed tariffs on imports of eVTOL aircraft originating from China. Historically, we had a limited scale of sales in Europe, North America, and South America. Revenue from these regions was relatively small and exhibited a decreasing trend, which has ceased entirely following the abovementioned 2025 tariff actions. Up to the date of this annual report, we did not have any other operations in the U.S. In addition, we currently do not plan to export our products to the United States or the European Union, and the potential impact of these tariffs on our business remains uncertain. Nonetheless, rising trade tensions, elevated tariffs, and other trade restrictions could significantly affect global economic conditions and the stability of global financial markets. These factors could, in turn, have a material adverse effect on our business, financial condition and results of operations.

***We, the VIE and the VIE's subsidiaries have limited insurance coverage, which could subject us to significant costs and business disruption.***

We, the VIE and the VIE's subsidiaries have limited liability insurance coverage for our products and business operations. We may not be able to secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. A successful liability claim against us, the VIE or the VIE's subsidiaries due to injuries or damages suffered by our users could materially and adversely affect our financial condition, results of operations and reputation. Even if unsuccessful, such a claim could cause us adverse publicity, require substantial costs to defend, and divert the time and attention of our management. In addition, we do not have any business disruption insurance. Any business disruption could result in substantial cost to us and diversion of our resources. Furthermore, China, the United States or any other jurisdiction relevant to our business may impose requirements for maintaining certain minimum liability or other insurance relating to the operation of our products. Such insurance policies could be costly, which would reduce the demand for our products. In addition, even where commercial insurance is available and maintained by operators of our products, such coverage may not be sufficient to fully cover all potential losses or liabilities arising from the operation of our eVTOL aircraft, given the novel nature of the technology and the evolving regulatory and risk landscape.

***We identified a material weakness in our internal control over financial reporting which, if not remediated appropriately or timely, could affect our ability to accurately report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence in our company and the market price of the ADSs may be materially and adversely affected.***

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2025, we and our independent registered public accounting firm, identified one material weakness in our internal control over financial reporting. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a "material weakness" is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified is related to our lack of effective controls over revenue from air mobility solutions. Specifically, we did not effectively assess the probability to collect substantially all of the consideration from the customers prior to recognizing revenue. This material weakness, resulted in material errors in our previously announced unaudited financial information for the interim and annual periods, see "Item 15. Controls and Procedures-Management's Annual Report on Internal Control over Financial Reporting". Following the identification of the material weakness, we are in the process of designing and implementing measures to improve our internal control over financial reporting to remediate the material weakness. If our remedial measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial results.

We are subject to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act, or Section 404, requires that we 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, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify other weaknesses and deficiencies in our internal control over financial reporting. If we fail to maintain the effectiveness of our internal control over financial reporting, 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. Generally speaking, if we fail to achieve and maintain an effective internal control environment, it could result in material misstatements in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our businesses, financial condition, results of operations and prospects, as well as the trading price of the ADSs, may be materially and adversely affected. Additionally, ineffective internal control over financial reporting could expose us to increased 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.

***We are 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 fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.***

We are 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 our business or sell our products, including the PRC anti-corruption laws and regulations, the U.S. Foreign Corrupt Practices Act, or the FCPA, the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit 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. The U.K. Bribery Act 2010 also prohibits non-governmental “commercial” bribery and soliciting or accepting bribes. The PRC anti-corruption laws and regulations prohibit bribery to government agencies, state or government owned or controlled enterprises or entities, to government officials or officials that work for state or government owned enterprises or entities, as well as bribery to non-government entities or individuals. There is uncertainty in connection with the implementation of PRC anti-corruption laws. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation.

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 have also entered into joint ventures and/or other business partnerships with government agencies and state-owned or affiliated entities. These interactions subject us to an increased level of compliance-related concerns. We are in the process of implementing 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 business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and investments in our shares.

***We are involved in litigation from time to time and, as a result, we could incur substantial judgments, fines, legal fees or other costs.***

We may be the subject of complaints or litigation from customers, suppliers, employees or other third parties for various actions. For example, we received a judgment against us in a dispute with a former employee and entered into a settlement with the former employee in April 2023. The damages sought against us in some of these litigation proceedings could be substantial. We cannot assure you that we will always have meritorious defenses to the plaintiffs’ claims. While the ultimate effect of these legal actions cannot be predicted with certainty, our reputation and the result of operations could be negatively impacted. The proceedings we may be involved in from time to time, could incur substantial judgments, fines, legal fees or other costs and have a material adverse effect on our business, financial condition, results of operations and cash flows. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

***Our and the VIE’s leased property interest may be defective and our right to lease the properties may be challenged, which could cause significant disruption to our business.***

We and the VIE lease all the premises used in our operations from third parties. We and the VIE require the landlords’ cooperation to effectively manage the condition of such premises, buildings and facilities. In the event that the condition of the office premises, buildings and facilities deteriorates, or if any or all of our and the VIE’s landlords fail to properly maintain and renovate such premises, buildings or facilities in a timely manner or at all, the operation of our offices could be materially and adversely affected.

Moreover, certain lessors have not provided us and the VIE with valid ownership certificates or authorization of sublease for our and the VIE leased properties. Under the relevant PRC laws and regulations, if the lessors are unable to obtain certificate of title because such properties were built illegally or failed to pass the inspection or other reasons, such lease contracts may be recognized as void and as a result, we and the VIE may be required to vacate the relevant properties. In addition, if our and the VIE’s lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our and the VIE’s leases could be invalidated. If this occurs, we and the VIE may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us and the VIE, or we and the VIE may be required to vacate the relevant properties if the terms of the new leases are not reached. We and the VIE may enter into new lease contracts with the lessors, and the terms of the new leases may be less favorable to us and the VIE, or we and the VIE may be required to vacate the relevant properties if the terms of the new leases are not reached.

Under PRC laws, all lease agreements are required to be registered with the local housing authorities. We and the VIE have not registered certain of our lease agreements with the relevant government authorities. Failure to complete these required registrations may expose our and the VIE’s landlords, lessors, us and the VIE to potential monetary fines.

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

We adopted the 2015 Share Incentive Plan, or the 2015 Plan, the 2019 Share Incentive Plan, or the 2019 Plan, and the 2023 Share Incentive Plan, or the 2023 Plan (collectively, the “Plans”), to incentivize our employees, directors and consultants and align their interests with ours. We recognize expenses in our consolidated statement of loss in accordance with U.S. GAAP. Under the Plans, we are authorized to grant restricted share units and other types of awards. As of the date of this annual report, the maximum number of ordinary shares that may be issued pursuant to all awards granted under the 2015 Plan, the 2019 Plan, and the 2023 Plan is 8,867,053, 14,141,558, and 16,413,255, respectively. As of March 31, 2026, 6,041,825 restricted share units and 6,685,317 share options had been granted and were outstanding under the Plans. As of December 31, 2025, our unrecognized share-based compensation expenses relating to unvested awards amounted to RMB405,988 thousand (US\$58,056 thousand), comprising RMB271,598 thousand (US\$38,838 thousand) related to RSUs and RMB134,390 thousand (US\$19,218 thousand) related to share options.

We believe 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 awards to employees in the future. However, the number of shares reserved for issuance under our share incentive plan may not be sufficient to recruit new employees and to compensate existing employees. 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. To attract and retain qualified employees, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

***It may be difficult for overseas authorities to conduct investigations or collect evidence within China.***

Shareholder claims or regulatory investigations that are common in the United States may be subject to PRC laws and regulations. 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 fully efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas authorities, including the SEC, the PCAOB, and the U.S. Department of Justice, can directly conduct investigation or evidence collection activities within the PRC and no entity or individual in China may provide documents and information relating to securities business activities to overseas authorities without PRC government approval. On August 26, 2022, the PCAOB signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the People's Republic of China, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. The Statement of Protocol gives the PCAOB sole discretion to select the firms, audit engagements and potential violations it inspects and investigates and put in place procedures for PCAOB inspectors and investigators to view complete audit work papers with all information included and for the PCAOB to retain information as needed. In addition, the Statement of Protocol grants the PCAOB direct access to interview and take testimony from all personnel associated with the audits the PCAOB inspects or investigates. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination that the positions taken by authorities in mainland China and Hong Kong prevented it from inspecting and investigating completely registered public accounting firms headquartered in those jurisdictions. However, the PCAOB may still lose such access to inspect and investigate completely accounting firms in mainland China and Hong Kong in the future. As of now, the general inability for overseas authorities to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

**Risks Relating to Our Corporate Structure**

***If the PRC government finds that the contractual arrangements between the WFOE, the VIE and the VIE's shareholders do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to penalties or be forced to relinquish our interests in those operations.***

In January 2016, we obtained a controlling financial interest in the VIE because the WFOE entered into a series of contractual arrangements with the VIE and the VIE's shareholders, which enable us to (i) have the power to direct significant activities of the VIE, (ii) receive economic benefits from the VIE that potentially could be significant to the VIE, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in the VIE, when and to the extent permitted by PRC laws. As a result of these contractual arrangements, we are considered the primary beneficiary of the VIE and the VIE's subsidiaries and thus consolidate their financial results under U.S. GAAP. See "Item 4. Information on the Company—C. Organizational Structure" for further details.

Our PRC legal counsel, Zhong Lun Law Firm, based on its understanding of the relevant laws and regulations, is of the opinion (i) the ownership structures of the WFOE and the VIE are in compliance with applicable PRC laws and regulations currently in effect; and (ii) each of the contractual arrangement is valid, legal and binding on the parties thereto under applicable PRC Laws currently in effect, and each party to the contractual arrangement is entitled to assert its respective rights and is obligated to perform its respective duties in accordance with the terms and conditions of each contractual arrangement, subject to applicable PRC Laws currently in effect. However, our PRC legal counsel has also advised us that there are certain uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and it remains uncertain whether any new PRC Laws pertaining to the VIE arrangements under the contractual arrangements will be adopted, or if adopted, their potential impact on such VIE arrangements. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC legal counsel.

If we or the VIE 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 relevant PRC regulatory authorities would have discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;

- shutting down our servers or blocking our website, or discontinuing or placing restrictions or onerous conditions on our operation through any transactions between the WFOE and the VIE;
- imposing fines, confiscating the income from the WFOE or the VIE, or imposing other requirements with which we or the VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledges of the VIE, which in turn would affect our ability to consolidate, derive economic interests from, or to direct the significant activities of the VIE;
- restricting or prohibiting our use of the proceeds of our securities offerings to finance our business and operations in China, and taking other regulatory or enforcement actions that could be harmful to our business;
- confiscating any of our income deemed to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the VIE in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of the VIE or our right to receive substantially all the economic benefits and residual returns from the VIE and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to direct the significant activities of over or consolidate the financial results of the VIE in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

***Our business may be significantly affected by the Foreign Investment Law.***

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. Uncertainties still exist in relation to the interpretation and implementation of the Foreign Investment Law. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled via contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The Foreign Investment Law grants foreign invested entities the same treatment as PRC domestic entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list” to be published. The Foreign Investment Law provides that only foreign invested entities operating in foreign restricted or prohibited industries will require entry clearance and other approvals that are not required by PRC domestic entities or foreign invested entities operating in other industries. Pursuant to the latest version of the “negative list,” namely, the Special Management Measures (Negative List) for the Access of Foreign Investment (2024), which became effective on November 1, 2024, our principal business does not fall into “negative list” in respect of the “restricted” or “prohibited” categories for foreign investment. However, we cannot assure you that the “negative list” will not be updated in the future in any way adverse to our business. In the event that the VIE’s and/or its subsidiaries’ operations in the PRC are not treated as domestic investment and the contractual arrangement between the WFOE, the VIE and the VIE’s shareholders are classified as foreign investment in the “restricted” or “prohibited” industry in the “negative list” under the Foreign Investment Law, such contractual arrangements may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or deconsolidate the financial results of the VIE and the VIE’s subsidiaries under U.S. GAAP.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In addition, the Foreign Investment Law provides that existing foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the Foreign Investment Law, which means that we may be required to adjust the structure and corporate governance of certain of our PRC entities then. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

***We rely on contractual arrangements with the VIE and the VIE's shareholders for certain business operations in the PRC, which may not be as effective as direct ownership in providing operational control.***

The VIE and its subsidiaries accounted for 7.9%, 1.2% and 1.6% of our consolidated revenues for the years ended December 31, 2023, 2024 and 2025, respectively, after elimination of inter-company transactions. While we do not expect the VIE and the VIE's subsidiaries to generate a significant portion of revenue on a consolidated basis, we have relied on and expect to continue to rely on contractual arrangements with the WFOE, the VIE and the VIE's shareholders for certain business operations in the PRC. These contractual arrangements may not be as effective as direct ownership in providing us with over the power to direct the significant activities of the VIE. For example, the VIE and the VIE's shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of the VIE in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership in the VIE, we would be able to exercise our rights as shareholders to effect changes in the directors and senior management of the VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by the VIE and the VIE's shareholders of their respective obligations under the contracts to direct the significant activities of the VIE. The VIE's shareholders may act in a manner against the best interests of our company and may breach their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portions of our business through the contractual arrangements with the VIE. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC laws and arbitrations, litigations and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Any failure by the VIE or the VIE's shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business." Therefore, our contractual arrangements with the VIE may not be as effective in ensuring our power to direct the significant activities of the VIE as direct ownership in the VIE would be.

***Any failure by the VIE or the VIE's shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on our business.***

The WFOE has entered into a series of contractual arrangements with the VIE and the VIE's shareholders. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure." If the VIE or the VIE's shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which may be difficult to enforce under PRC laws. For example, if the shareholders of the VIE refuse to transfer their equity interest in the VIE to us or our designee if we exercise the purchase option pursuant to these contractual arrangements, or if they otherwise act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All of the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a VIE should be interpreted or enforced under PRC laws. 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 PRC courts through arbitration award recognition proceedings, which would require additional expenses and delays. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to direct the significant activities of the VIE, and our ability to conduct certain business through the VIE may be materially and adversely affected.

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

The shareholders of the VIE are Mr. Weixian Xia and Mr. Huazhi Hu, each a senior employee of our company. Conflicts of interest may arise from them in their roles as employees of our company and as shareholders of the VIE. The VIE’s shareholders may breach, or cause the VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material and adverse effect on our ability to direct the significant activities of the VIE and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the VIE 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 VIE to a PRC entity or individual designated by us, to the extent permitted by PRC laws. The shareholders of the VIE have executed powers of attorney to appoint the WFOE to vote on their behalf and exercise voting rights as shareholders of the VIE, and such rights were reassigned to us in March 2021. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the VIE, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of the VIE 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 VIE and the validity or enforceability of our contractual arrangements with them. For example, in the event that any shareholder of the VIE 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 relevant 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 our power to direct the significant activities of the VIE. In addition, a judicial freeze was placed on the equity interests of the VIE in connection with an arbitration filed by a third party against Mr. Huazhi Hu, our founder, chairman of the board of directors and chief executive officer, who was also a former shareholder of the VIE. The arbitration arose from a financial dispute between the third party and Mr. Huazhi Hu, and was unrelated to our company. The third party did not have any claim against the VIE. The VIE was involved in the arbitration only because the third party regarded equity interests of the VIE as potential assets of shareholders of the VIE. The parties to the arbitration have reached a settlement. In March 2021, the third party filed a petition with the court and the judicial freeze on the VIE’s equity interests had been released. In addition to the aforementioned arbitration, in October 2020, the VIE paid a guarantee deposit to a court in Guangzhou, China to lift the judicial freeze. For details, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” If any of the equity interests of the VIE is similarly claimed by a third party with whom the current contractual arrangements are not binding, we could lose our power to direct the significant activities of the VIE or have to maintain such power by incurring unpredicted costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

***Contractual arrangements in relation to the VIE may be subject to scrutiny by the PRC tax authorities and they may determine that we or the VIE and the VIE's subsidiaries, 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. The 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 relevant 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 the contractual arrangements among the WFOE, the VIE and the VIE's shareholders 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 VIE 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 VIE for PRC tax purposes, which could increase our tax expenses. In addition, the PRC tax authorities may impose late payment fees and other penalties on the VIE for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if the VIE's tax liabilities increase or if it is required to pay late payment fees and other penalties.

***We may lose the ability to use and enjoy assets held by the VIE that are material to certain business operations in the PRC if the VIE goes bankrupt or becomes subject to a dissolution or liquidation proceeding.***

As part of our contractual arrangements with the VIE, the VIE and the VIE's subsidiaries hold certain assets that are material to certain business operations in the PRC, including permits, domain names and IP rights, operating licenses, intangible assets and fixed assets. If the VIE 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 VIE may not, in any manner, sell, transfer, mortgage or dispose of its assets or legal or beneficial interests in the business without our prior consent. If our consolidated affiliated entity undergoes a voluntary or involuntary liquidation proceeding, the independent 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.

***Our dual-class share structure with different voting rights 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 and ADSs may view as beneficial.***

Our authorized share capital is divided into Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, holders of Class B ordinary shares are entitled to ten votes per share, while holders of Class A ordinary shares are entitled to one vote per share based on our dual-class share structure. Each Class B ordinary share is convertible into one Class A ordinary share at any time by its holder, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by their holder or a change of ultimate beneficial ownership of any Class B ordinary share to any person other than our founder, Mr. Huazhi Hu, or an affiliate controlled by our founder, such Class B ordinary shares shall be automatically and immediately converted into the same number of Class A ordinary shares.

As of March 31, 2026, Mr. Huazhi Hu, our founder, chairman of the board of directors and chief executive officer, beneficially owned all of our issued and outstanding Class B ordinary shares. These Class B ordinary shares constituted approximately 25.7% of our total issued and outstanding share capital and 77.6% of the aggregate voting power of our total issued and outstanding share capital as of March 31, 2026. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

Although we have no current plan to issue additional Class B ordinary shares, our board of directors has the authority without further action by our shareholders to issue additional Class B ordinary shares, which will further dilute the voting power of our Class A ordinary shareholders. As a result of the dual-class share structure and the concentration of ownership, our founder has considerable influence over matters such as mergers, consolidations and the sale of all or substantially all of our assets, election of directors, amendments to organizational documents and other significant corporate actions. Our founder may take actions that are not in the best interest of our other shareholders. This concentration of ownership may discourage, delay or prevent a change in 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 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 and ADSs may view as beneficial.

In addition, our founder will continue to be able to control all matters submitted to our shareholders for approval even if his shareholdings represent substantially less than a majority of our outstanding common shares. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common shares could be adversely affected.

In July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual- or multi-class capital structures to be included in certain of their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together comprise the S&P Composite 1500. Under the announced policies, our dual-class share structure would make us ineligible for inclusion in any of these indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our shares, which may depress these valuations or depress our trading volume compared to those of other similar companies that are included in these indices.

### **Risks Relating to Doing Business in China**

***The PRC government's oversight over our and the VIE's business operation could result in a material adverse change in our operations and the value of the ADSs.***

We conduct business operations in China primarily through our PRC subsidiaries. Our and the VIE's operations in China are governed by PRC laws and regulations. The PRC government's oversight over our and the VIE's business operation could result in a material adverse change in our and the VIE's operations and the value of the ADSs. The Chinese government may intervene or influence our operations, or may adjust policies over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of the ADSs. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

There are uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our and the VIE's business, or the enforcement and performance of our contractual arrangements with the VIE. These laws and regulations may be subject to change, and the rules and policies in China may evolve over time, which could result in a material adverse change in our operations and the value of the ADSs. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that we and the VIE would always be in full compliance with applicable laws and regulations, the violation of which may have adverse effect on our and the VIE's business and our reputation.

***Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.***

The PRC legal system is a civil law system based on written statutes. Like other civil law jurisdictions, prior court decisions may be cited for reference but have limited precedential value in China. The PRC legal system continues to evolve, and its current framework may not cover all aspects of economic activities in China, including such activities that relate to or have an impact on our business. Implementation and interpretations of laws, regulations and rules involve uncertainties.

From time to time, we, the VIE or the VIE's subsidiaries may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of protection we, the VIE or the VIE's subsidiaries enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have a retroactive effect. As a result, we, the VIE or the VIE's subsidiaries may not always be aware of any potential violation of these policies and rules until sometime after the violation. Such uncertainties, including unpredictability towards the scope and effect of our, the VIE or the VIE's subsidiaries' contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

***We may be adversely affected by changes in PRC regulations on technology companies.***

The PRC government imposes licensing and permit requirements for companies in the technology industry. These laws, regulations and announcements continue to evolve, and their interpretation and enforcement involve certain 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.

In addition, our mobile application is regulated by the Administrative Provisions on Mobile Internet Applications Information Services, or the App Provisions, promulgated by the Cyberspace Administration of China, or the CAC, effective on August 1, 2016. According to the App Provisions, the providers of mobile applications shall not create, copy, publish or distribute information and content that is prohibited by laws and regulations. However, we cannot assure that all the information or content displayed on, retrieved from or linked to our mobile applications complies with the requirements of the App Provisions at all times. If our mobile applications were found to be violating the App Provisions, we may be subject to administrative penalties, including warnings, service suspensions or removal of our mobile applications from relevant mobile application stores, which may materially and adversely affect our business and operating results.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the technology industry, particularly the policies relating to new energy vehicles, have created certain uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain or renew our existing licenses or obtain new ones.

***Uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and its Implementation Regulations and how they may impact the viability of our current corporate structure, corporate governance and business operations.***

The National People's Congress approved the *PRC Foreign Investment Law*, or the Foreign Investment Law, on March 15, 2019 and the State Council approved the *Regulation on Implementing the Foreign Investment Law*, or the Implementation Regulations on December 12, 2019, effective from January 1, 2020, to replace prior 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 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 the Foreign Investment Law and the Implementation Regulations are relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, 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. Though 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 under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

***The approval of and the filing with the CSRC or other PRC governmental authorities may be required in connection with our future offshore offerings under PRC law and if required, we cannot predict whether or how soon we will be able to obtain such approval or complete such filing.***

On February 17, 2023, the CSRC issued rules and regulations concerning the filing management of overseas listing, which came into effect on March 31, 2023, which include the Provisional Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises, or the New Filing Rules, and five supporting guidelines. The New Filing Rules dictate that enterprises that have been listed overseas prior to March 31, 2023 constitute “Existing Issuers.” Existing Issuers are required to complete filing procedure with the CSRC if and when they pursue any refinancing activities, securities offerings and listings outside of Mainland China, including but not limited to follow-on offerings, secondary listings, and listing by introduction in a different market, unless such securities are issued as equity incentive awards or in connection with conversion of public reserve funds into increased company capital, share dividends or share split. Although we are an Exiting Issuer and accordingly are not required to complete filing with the CSRC immediately, we may be subject to the CSRC filing procedures in the future in connection with our refinancing or other activities and, if required, we cannot predict whether we will be able to complete such filing procedures in time or at all. If we fail to complete such filing procedures, we may not conduct refinancing or other activities which are subject to the New Filing Rules, or we would be subject to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating activities in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of the ADSs. In addition, there remains uncertainties as to the interpretation, application, and enforcement of the New Filing Rules and how they will affect our operations and our future financing. We cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us or otherwise tighten the regulations on companies with VIE structures.

***The ADSs will be delisted and prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China.***

Pursuant to the HFCAA, 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 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 and our auditor was subject to that determination. On May 26, 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.

Each year, the PCAOB will determine whether it can inspect and investigate completely audit 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 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 Securities and Exchange Commission, 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. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase the ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of the 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.

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

China's overall economy and the average wage level in China have increased in recent years and are expected to continue 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 continue to increase. Unless we are able to pass on these increased labor costs to our customers, 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 funds, 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.

In October 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, which came into effect on July 1, 2011. In April 1999, the State Council promulgated the Regulations on the Administration of Housing Funds, which was amended in March 2002. Companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds to, apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and, to pay for their employees' different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. Recently, the PRC government enhanced its measures relating to social insurance collection, which lead to stricter enforcement.

On July 31, 2025, the PRC Supreme People's Court promulgated the Interpretation (II) on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases, which took effect on September 1, 2025. Pursuant to this interpretation, where an employer and an employee agree or the employee undertakes that social insurance contributions need not to be paid, the court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the employment contract and for the employer to pay economic compensation, the people's court shall uphold such requests in accordance with the law. The introduction of new judicial interpretations or changes in regulatory guidance in the future may result in certain aspects of our operations being deemed not fully compliant with evolving labor laws and regulations. We could be ordered by the competent labor authorities for rectification, and failure to comply with such orders may further subject us to administrative fines.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not 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 laws and regulations including those relating to obligations to make social insurance payments and contribute to the housing provident funds. We have not fully paid the social insurance payment and housing provident funds for all of our employees as required by applicable PRC regulations. We may be required to make up the contributions for our employees, and may be further subjected to late fees payment and administrative fines, resulting in financial condition and results of operations to be adversely affected.

We have made full provisions in respect of the outstanding amount of the social insurance fund contributions for current employees. As of the date of this annual report, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to the social insurance fund or imposing any administrative penalties on us, nor were we aware of any material employee complaints or involved in any material labour disputes with our employees with respect to the social insurance fund.

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

We are a holding company, and we 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. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, wholly foreign-owned enterprises in China, such as the WFOE, may pay dividends only out of their respective accumulated after-tax profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund certain statutory reserve funds, until the aggregate amount of such funds reaches 50% of its registered capital. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

Our ability to pay dividends is primarily dependent on receiving distributions of funds from our PRC subsidiaries, the VIE and the VIE's subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by our PRC subsidiaries, the VIE and the VIE's subsidiaries 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 consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of our PRC subsidiaries, the VIE and the VIE's subsidiaries.

In response to the persistent capital outflow and the Renminbi's depreciation against the U.S. dollar, the People's Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and the WFOE's dividends and other distributions may be subjected to tighter scrutiny in the future. 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.

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

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, VIE and its subsidiaries. We may make loans to our PRC subsidiaries, VIE and its subsidiaries, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these activities are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE. If we decide to finance our wholly owned PRC subsidiaries by means of capital contributions, these capital contributions are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other governmental authorities in China. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to the VIE, which is a PRC domestic company. SAFE promulgated the *Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-invested Enterprises*, or SAFE Circular 19, effective on June 1, 2015, in replacement of the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice From the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB capital converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account*, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from our securities offerings, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received from our securities 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.

***PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.***

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that 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 with such PRC residents or entities' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. On February 13, 2015, SAFE issued SAFE Circular No. 13, which took effect on June 1, 2015, pursuant to which, the power to accept SAFE registration was delegated from local SAFE to local qualified banks where the assets or interest in the domestic entity was located. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75.

If our shareholders who are PRC residents or entities do not complete their registration pursuant to SAFE Circular 37 as required, our PRC subsidiaries may be prohibited from distributing their profits and 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 the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have used our best efforts to notify PRC residents or entities who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. We cannot assure you that all other shareholders or beneficial owners of ours who are PRC residents or entities 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 the ability of our PRC subsidiaries to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

***The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.***

The *Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors*, or the M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in September 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that shall obtained an approval from the MOFCOM in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 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 MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

***Future movements in exchange rates between U.S. dollars and Renminbi may adversely affect the value of our ordinary shares or the ADSs.***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China’s foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or the SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces, or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

Significant revaluation of the Renminbi may have a material and adverse effect on your investment. For example, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any material hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into 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.

***Governmental control of currency conversion may limit our ability to utilize our operating revenues effectively and affect the value of your investment.***

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE if certain procedural requirements are complied with. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government 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 consolidated affiliated entities to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi.

The PRC government has imposed more restrictive foreign exchange policies and stepped-up scrutiny of major outbound capital movements including overseas direct investments. More restrictions and substantial vetting processes are put in place by SAFE to regulate cross-border transactions falling under the capital account. For example, if a person (i) uses Renminbi to pay amounts due that should be settled in a foreign currency or (ii) makes payments in Renminbi on behalf of a third party in exchange for repayments in a foreign currency, such person may be subject to a fine of not more than 30% of the illegal payment. In severe cases, the fine could be increased to 100% of the illegal payment. If any of our shareholders or affiliates to whom SAFE regulations are applicable violates any of the foreign exchange policies, it may be subject to penalties from the relevant PRC authorities. Historically, certain minority shareholders invested in our company through payments in Renminbi to the VIE in lieu of payments in U.S. dollars outside of the PRC. In an uncertain event that we are deemed to have participated in our shareholders' actions that are not in compliance with the relevant foreign exchange policies by the PRC regulatory authorities, we could be subject to restrictions on our ability to convert foreign currencies into Renminbi or vice versa, as well as monetary penalties. If the PRC foreign exchange control system prevents us from converting foreign currencies into Renminbi or vice versa, our ability to obtain sufficient foreign currencies to satisfy our foreign currency demands may be materially and adversely affected. For example, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs, and we may also encounter difficulties in remitting proceeds from our overseas financings and our revenue from the transactions with our overseas customers.

***Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In the meantime, our directors, executive officers and other employees who are PRC citizens or who are non-PRC residents residing in the PRC for a continuous period of not less than one year, and who have been granted incentive share awards by us, may follow the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, promulgated by the SAFE in 2012. Pursuant to the 2012 SAFE notices, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted share units are subject to these regulations as our company has become an overseas listed company. Failure to complete the SAFE registrations may subject us to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit the ability of our PRC subsidiaries to distribute dividends to us. We also face regulatory uncertainties that could restrict our abilities to adopt additional incentive plans for our directors, executive officers and employees under PRC laws.

The State Administration of Taxation, or SAT, has issued certain circulars concerning employee share options and restricted shares. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

***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.***

Each of the WFOE and the VIE is currently qualified as a high and new technology enterprise, or HNTE, and as such is eligible for a 15% preferential tax rate, which will expire in December 2026 and December 2028, respectively. 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.

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. The discontinuation of such financial subsidies or imposition of any additional taxes could adversely affect our financial condition and results of operations.

***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 the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to PRC enterprise income tax on its global income at the rate of 25%. 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, production, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation issued a circular, known as SAT Circular 82, 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 Administration of Taxation’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, 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 the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe 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 sale or other disposition of the ADSs or ordinary shares may be subject to PRC tax at a rate of 10% (in the case of non-PRC enterprise) 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. These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of the WFOE would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the WFOE is treated as a PRC resident enterprise. Any such PRC tax may reduce the returns on your investment in the ADSs.

***We may not be able to obtain certain benefits under the relevant tax treaty 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 the 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 Tax Treaties*, which became effective in August 2015, require non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file relevant report and materials with the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See “Item 10. Additional Information—E. Taxation—PRC Taxation.” As of December 31, 2025, our PRC subsidiaries and the VIE located in the PRC reported accumulated loss and therefore they had no retained earnings for offshore distribution. In the future, 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. We cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment could be challenged by the relevant tax authority and we may be unable to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to dividends to be paid by our PRC subsidiary 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 Administration of Taxation issued the *Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises*, or SAT Public Notice 7. SAT Public Notice 7 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, SAT Public Notice 7 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. SAT Public Notice 7 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 non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets must report to the relevant 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% (subject to available preferential tax treatment under applicable tax treaties or similar arrangements) for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the SAT issued the *Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source*, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 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 risk being subject to filing obligations or being taxed under SAT Public Notice 7 and SAT Bulletin 37, 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 law, 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 Administration of Market Regulation.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries, VIE and its 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, variable interest entity and its subsidiaries are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries, VIE and its 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, VIE and its 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 relevant 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, VIE or its subsidiaries, we or our PRC subsidiaries, VIE and its 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 relevant 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.

***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 has 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 mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has 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 that the positions taken by authorities in mainland China and Hong Kong prevented it from inspecting and investigating completely registered public accounting firms headquartered in those jurisdictions. However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely 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 the ADSs would be deprived of the benefits of such PCAOB inspections again, which could cause investors and potential investors in the ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

***Our PRC subsidiaries and the VIEs may be subject to monetary liability if their share capital is not fully paid up before statutory deadlines.***

On December 29, 2023, an amendment to the PRC Company Law was promulgated by the Standing Committee of the National People's Congress, which took effect on July 1, 2024, shortening a company's period for share capital contribution to five years. In addition, the State Administration for Market Regulation or SAMR has released the Provisions of the State Council on the Implementation of the Registered Capital Registration and Management System under the Company Law of the People's Republic of China, released on July 1, 2024, which provides for an additional transition period of three years for companies incorporated before June 30, 2024. Under such rules, the share capital of all of our subsidiaries incorporated in the PRC, as well as Guangzhou EHang Intelligent Technology Co., Ltd., or the VIE, and its subsidiaries, shall be paid up by June 30, 2032. In the event that the share capital is not fully paid up by the statutory deadlines, the registered shareholder(s) of the foregoing companies may be subject to the legal liability including: (a) liability for the interest loss incurred therefrom on the overdue capital contribution amount on the subsidiaries (and possible interest on such loss); and (b) the supplementary compensation liability to creditors of the subsidiaries within the outstanding principal of share capital and overdue contribution interest.

**Risks Relating to the ADSs and Trading Market**

***The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.***

Since the ADSs became listed on the Nasdaq Global Market on December 12, 2019, the trading price of the ADSs has ranged from a low of US\$3.32 to a high of US\$129.80 per ADS. The trading price of the ADSs is likely to be volatile and could fluctuate widely due to multiple factors, some of which are beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flows;
- regulatory developments affecting us, our customers, or our industry;
- announcements of studies and reports relating to the quality of our products and service offerings or those of our competitors;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new products or service offerings and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our products or services or our industry;
- additions or departures of key personnel;
- detrimental negative publicity about us, our management or our industry;

- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- actual or potential litigation or regulatory investigations.
- the ADS being delisted and prohibited from trading in the U.S. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The ADSs will be delisted and prohibited from trading in the U.S. under the Holding Foreign Companies Accountable Act, or the HFCAA, if the PCAOB is unable to inspect or fully investigate auditors located in China.”

Any of these factors may result in large and sudden changes in the volume and price at which the ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it 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.

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

The trading market for the 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 the ADSs, the market price for the 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 of the ADSs to decline.

***The sale or availability for sale of substantial amounts of the ADSs could adversely affect their market price.***

Sales of substantial amounts of the ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of the 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 the ADSs.

***Because we do not expect to pay dividends in the foreseeable future, the holders of the ADSs must rely on price appreciation of the ADSs for a return on their investment.***

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, the ADS holders should not rely on an investment in the ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always 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 immediately following the date on which the dividend is paid. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may 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 our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return to ADS holders on the investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which the ADS holders purchased the ADSs. The ADS holders may not realize a return on their investment in the ADSs and they may even lose their entire investment in the ADSs.

***Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.***

Our memorandum and articles of association contain provisions which could limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders and ADS holders of an opportunity to sell their shares or ADSs 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 transactions. 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 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 the ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

***You may face difficulties in protecting your interests, and your ability to protect your rights through 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 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 our directors, actions by our minority shareholders and the fiduciary duties 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 duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than 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, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court 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 the memorandum and articles of association, our register of mortgages and charges and special resolutions of our 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.

In addition, we conduct substantially all of our business operations in China, and substantially all of our directors and senior management are based in China. The SEC, U.S. Department of Justice and other authorities may face challenges in bringing and enforcing actions against non-U.S. companies and non-U.S. persons, including company directors and officers, in certain jurisdictions, including China. Additionally, shareholder claims that are common in the United States, including class action securities law and fraud claims, may be difficult to pursue as a matter of law or practicality in many jurisdictions, including China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local 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, the regulatory cooperation with the securities regulatory authorities in the United States has not been fully efficient in the absence of a mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no foreign securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to foreign securities regulators.

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 our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Act of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see “Item 10. Additional Information—B. Memorandum and Articles of Association—Differences in Corporate Law.”

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

We are a Cayman Islands exempted company and substantially all of our assets are located outside of the United States. Most of our current operations are conducted in China. In addition, most of our current directors and officers are nationals and residents of countries other than 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 the United States in the event that you believe that your rights have been infringed under 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.

***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 which are represented by your ADSs are voted.***

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of the 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 which 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 is practicable, to vote the underlying Class A ordinary shares which are represented by your ADSs in accordance with your instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give, but it is not required to do so. Under the deposit agreement for the ADSs, if you do not vote, the depositary may give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders’ meetings if:

- we have timely provided the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we wish a discretionary proxy to be given;
- we have informed the depositary that there is no substantial opposition as to a matter to be voted on at the meeting; and
- a matter to be voted on at the meeting would not have a material adverse impact on shareholders.

The effect of this discretionary proxy is that if you do not vote at shareholders’ meetings, you cannot prevent the underlying Class A ordinary shares represented by 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 ordinary shares are not subject to this discretionary proxy. 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 cancel and withdraw such shares and become the registered holder of such shares prior to the record date for the general meeting.

Under our memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting is ten calendar days. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the underlying Class A ordinary shares represented by 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 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/or 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 underlying Class A ordinary shares represented by 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 depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We have agreed to give the depositary at least 45 days' 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 depositary to vote the underlying Class A ordinary shares represented by your ADSs. In addition, the depositary 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 underlying Class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying Class A ordinary shares represented by your ADSs are not voted as you requested.

***You may not receive dividends or other distributions on our 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 the ADSs has agreed to distribute, subject to the terms of the deposit agreement, the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities underlying the 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. Additionally, the value of certain distributions may be less than the cost of distribution. 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, 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, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our 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 the 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, or "for record date or processing purposes" in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary think 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.

***ADSs 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 plaintiffs in any such action.***

The deposit agreement governing the ADSs representing our Class A ordinary shares provides that, 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 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 pre-dispute contractual waiver of jury trial is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a pre-dispute contractual waiver of jury trial, 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 entering into the deposit agreement.

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 the depository. If a lawsuit is brought against either or both of us and 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, including results that could be less favorable to the plaintiffs in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depository of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

***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 principal shareholders 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 Stock 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 compared to 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 which would be made available to you were you investing in a U.S. domestic issuer.

***We will incur increased costs as a result of being a public company, particularly after we have ceased to qualify as an “emerging growth company.”***

We are a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company, including additional costs associated with our public company reporting obligations. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the Nasdaq Stock Market, impose various requirements on the corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. As we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act and the other rules and regulations of the SEC. For example, as a result of being a public company, we need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. In addition, operating as a public company makes it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

***As a 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 Stock Market corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the Nasdaq Stock Market corporate governance listing standards.***

As a Cayman Islands exempted company listed on Nasdaq Global Market, we are subject to the Nasdaq Stock Market corporate governance listing standards. However, Nasdaq Stock Market 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 Stock Market corporate governance listing standards. We have elected to follow our home country practice in lieu of certain corporate governance requirements of the Nasdaq Stock Market. See “Item 16G. Corporate Governance.” 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.

***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 our founder, chairman of the board of directors and chief executive officer, Mr. Huazhi Hu, owns more than 50% of our total voting power. For so long as we remain a controlled company under that definition, we may rely on certain exemptions from corporate governance rules, including the rule that a majority of our board of directors must be independent directors and that we have to establish a nominating committee and a compensation committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements should we choose to rely on such exemptions. We currently do not plan to rely on these exemptions.

*If we are a passive foreign investment company, or PFIC, for any taxable year, our U.S. shareholders may be subject to adverse U.S. federal income tax consequences.*

A non-U.S. corporation, such as our company, will be a PFIC for U.S. federal income tax purposes for any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether a non-U.S. corporation is a PFIC for that year. Although the law in this regard is unclear, we intend to treat the VIE and the VIE's subsidiaries as being owned by us for U.S. federal income tax purposes, not only because we have the power to direct the significant activities of such entities but also because we are entitled to substantially all of their economic benefits and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on our analysis of our activities as well as the composition of our income and valuation of our assets, including goodwill, we do not believe we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2025. The determination of whether we are a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. Since the value of our assets for purposes of the asset test may be determined by reference to the market price of the ADSs, fluctuations in the market price of the ADSs may cause us to become a PFIC for the current or subsequent taxable years. In addition, the composition of our income and assets will also be affected by our business plans including how quickly we use our cash and other liquid assets. If we determine not to deploy significant amounts of cash for active purposes or if it were determined that we do not own the stock of the VIE for U.S. federal income tax purposes, our risk of being a PFIC may substantially increase. In light of the foregoing, there can be no assurance that we were not, or will not be, a PFIC for any taxable year. Our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year.

U.S. Holders should consult with their tax advisors regarding the implications of owning stock in a PFIC. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation") holds the ADS or a Class A ordinary share, certain adverse U.S. federal income tax consequences could apply to the U.S. Holder. See "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation—Passive Foreign Investment Company Rules."

#### **Item 4. Information on the Company**

##### **A. History and Development of the Company**

In December 2014, EHang Holdings Limited, or EHang Holdings, was incorporated in the Cayman Islands as our offshore holding company to facilitate offshore financing and listing. In the same month, Ehfly Technology Limited, or Ehfly Technology, was incorporated in Hong Kong as a direct, wholly-owned subsidiary of EHang Holdings. In addition, the following entities were incorporated to engage in the business of product manufacturing and sales and the provision of commercial solutions and related services:

- In October 2015, Ehfly Technology established EHang Intelligent Equipment Co., Ltd. (formerly known as EHang Intelligent Equipment (Guangzhou) Co., Ltd.), or the WFOE, as a wholly-owned subsidiary in China. The WFOE is engaged in the research, development, manufacture and sale of pilotless eVTOL aircraft and UAVs, and the research and development of software, communication technology and UAV technologies related to air mobility and intelligent aviation.
- In January 2016, we obtained a controlling financial interest in Guangzhou EHang Intelligent Technology Co., Ltd., or the VIE, because the WFOE entered into a series of contractual arrangements with the VIE and the VIE's shareholders. The VIE is primarily engaged in the research, development, manufacture and sale of pilotless eVTOL aircraft for emergency rescue and firefighting and UAVs for drone shows, sale of software, and commercial services of eVTOL operations and drone shows.
- In June 2020, the WFOE, jointly with two other shareholders, established Yunfu EHang Intelligent Technology Limited to manufacture mainly pilotless eVTOL aircraft.

- In March 2021, the VIE established Guangdong EHang General Aviation Co., Ltd., to provide operational flight services with pilotless eVTOL aircraft.

Under PRC laws and regulations, our PRC subsidiaries may pay cash dividends to us out of their respective accumulated profits. However, the ability to our PRC subsidiaries to make such distribution to us is subject to various PRC laws and regulations, including the requirement to fund certain statutory funds, as well as potential restriction on currency exchange and capital controls imposed by the PRC government. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business” and “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Dividend Distribution.” As a result of our contractual arrangements with the VIE and the VIE’s shareholders, we are regarded as the primary beneficiary of the VIE, and we treat the VIE and the VIE’s subsidiaries as our consolidated affiliated entities under U.S. GAAP. We have consolidated the financial results of the VIE and the VIE’s subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

On December 12, 2019, the ADSs commenced trading on the Nasdaq Global Market under the symbol “EH.” We raised US\$33.9 million in net proceeds from the issuance of new shares in our initial public offering after deducting underwriting commissions and the offering expenses payable by us. In January 2020, the underwriters exercised their over-allotment option and we raised US\$1.0 million in net proceeds from the issuance of new shares after deducting underwriting discounts and offering expenses payable by us.

On April 19, 2024, we entered into an At Market Issuance Sales Agreement with China Renaissance Securities (Hong Kong) Limited as the sales agent, or the Sales Agreement, in connection with our “at-the-market offering” program, or the ATM Program. Pursuant to the Sales Agreement, we may from time to time offer, issue and sell up to US\$100 million of our Class A ordinary shares represented by ADSs. For the years ended of December 31, 2024 and 2025, we had sold 9,231,510 and 2,769,184 Class A ordinary shares for aggregate gross proceeds of US\$76.2 million and US\$23.8 million under the ATM Program, respectively. As of July 2025, we have sold 12,000,694 Class A ordinary shares for aggregate gross proceeds of US\$100.0 million under the ATM Program, which constituted the entire amount of the ATM Program.

Our principal executive offices are located at EHang Future City (Group Headquarters), No. 118 Dongjiang Avenue, Huangpu District, Guangzhou City, Guangdong Province, 510730, People’s Republic of China. Our telephone number at this address is +86 20 2902 8899. Our registered office is situated at the office of Maples Corporate Services Limited, PO 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 42<sup>nd</sup> Street, 18<sup>th</sup> Floor, New York, NY 10168.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on [www.sec.gov](http://www.sec.gov). You can also find information on our website [www.ehang.com](http://www.ehang.com). The information on our website should not be deemed a part of this annual report.

## **B. Business Overview**

We are a leading provider of electric vertical take-off and landing (“eVTOL”) aircraft products and services in the global advanced air mobility (“AAM”) industry and China’s low-altitude economy industry. Leveraging our proprietary, safe, autonomous, and eco-friendly eVTOL technologies, we offer a range of eVTOL products and integrated services for passenger transportation, aerial tourism, aerial logistics, and emergency response. Our commitment to technological innovation and operational excellence has enabled us to achieve several significant global industry firsts, establishing our first-mover advantage and leadership in the global AAM industry.

As urban populations grow and vehicle numbers rise, existing roads are becoming increasingly congested, and expanding traditional road infrastructure is proving less effective at alleviating traffic bottlenecks. In response to the growing scarcity of urban space, the low-altitude space is emerging as a vital transportation resource, offering new mobility and logistics solutions that extend beyond traditional land, sea, and high-altitude airspace. The rapid development of the low-altitude economy industry is closely linked to the growth of the AAM industry, both fueled by technological innovation, supportive policies, and rising demand for new mobility and logistics solutions. The convergence of these favorable trends creates significant opportunities for growth, making the AAM market a key driver of future mobility.

Our expertise and industry leadership uniquely position us to capitalize on these favorable trends. We have developed and launched an array of pilotless eVTOL aircraft, equipped with proprietary technologies to deliver safe, intelligent, reliable and cost-efficient pilotless human-carrying flight solutions for air mobility. These aircraft feature lightweight, space-efficient design and advanced capabilities such as low noise operation, zero carbon emissions, autonomous flight, and intelligent systems. Their compact size and lightweight design make them particularly suitable for addressing the mobility challenges faced by increasingly crowded urban environments, providing scalable solutions for modern cities. Having successfully transitioned from the certification phase to commercial operations, we are well positioned to consistently leverage our first-mover advantage in the rapidly growing AAM industry.

We strive to design safe, reliable and functional products. We adopt a full redundancy design approach for our eVTOL products to avoid single points of failure. During the airworthiness certification by the Civil Aviation Administration of China (the “CAAC”), the safety, airworthiness, performance, functionality, usability and reliability of our EH216-S have been thoroughly and rigorously validated through over 500 specific test items, more than 40,000 test flights for adjustments, and formal conformity validation tests encompassing 65 major categories and over 450 individual test items. These tests included but were not limited to main material performance, structural strength, flame resistance, crashworthiness, gas toxicity, environmental conditions of equipment and systems, software simulation, data links, ground control stations, overall system functionality, electromagnetic compatibility, flight performance and flight stability characteristics. In October 2023, we obtained the Type Certificate (the “TC”) for EH216-S from the CAAC, the world’s first of its kind for human-carrying pilotless eVTOL aircraft, demonstrating that the type design of our EH216-S complies with the CAAC’s safety standards and airworthiness requirements and is qualified for conducting human-carrying commercial operations. Since December 2023, our certified EH216-S with the Standard Airworthiness Certificate (the “AC”) issued by the CAAC began delivery to our customers. In March 2024, we further obtained the Production Certificate (the “PC”) issued by the CAAC allowing our mass production of the EH216-S. In March 2025, Guangdong EHang General Aviation Co., Ltd. and our joint venture company Hefei Heyi Aviation Co., Ltd. were granted the Air Operator Certificates (“OC”) for EH216-S commercial operations from the CAAC. As of December 31, 2025, the flight footprints of our pilotless eVTOL aircraft have accumulated more than 83,000 safe flights in 21 countries across Asia, Europe, the Americas and Africa, predominantly in China. Complementing the EH216 series are the VT35, a lift-and-cruise eVTOL aircraft under the VT series, engineered for longer-haul, higher-speed regional connectivity, and GD4.0, which features aerial media performance drones for large-scale aerial advertising and light shows.

In addition to the manufacturing of eVTOL and other UAVs, we offer a comprehensive suite of services that strengthen our position as a fully integrated solution provider. These services include maintenance, repair and overhaul (“MRO”), eVTOL operation training, flight demonstration, and aerial media performances. We also provide a wide range of operation services, such as vertiport site planning and layout, flight operations and management, route design, and trial operations. Looking ahead, we plan to further expand our service offerings to include managed commercial operations and additional services.

Our major source of revenue comes from our core business, air mobility solutions, from our continued deliveries of the EH216 series products since 2018. We delivered 169 units of the EH216 series and six units of VT35 in 2025.

We had accumulatively delivered a total of 628 units of our eVTOL products, including 593 units of the EH216-S, 17 units of the EH216-F and 12 units of the EH216-L and six units of VT35, mainly operated on a limited trial basis in tourism locations in China, for testing, training, demonstration and trial operation purposes, and we had also delivered four command-and-control centers or systems for smart city management in China.

Our revenues increased significantly from RMB117.4 million in 2023 to RMB456.2 million in 2024, and decreased to RMB418.0 million (US\$59.8 million) in 2025. Our net loss decreased by 23.9% from RMB302.3 million in 2023 to RMB230.0 million in 2024, and increased to RMB276.4 million (US\$39.5 million) in 2025. In 2025, revenues generated by air mobility solutions and others were RMB395.2 million (US\$56.5 million) and RMB22.8 million (US\$3.3 million), respectively, representing 94.5% and 5.5% of our total revenues, respectively. As of December 31, 2025, our accumulated deficit amounted to RMB2,262.4 million (US\$323.5 million).

## **The Emerging AAM Market**

### ***Urban Transportation Faces Increasing Challenges with Ground Mobility***

Continued population growth and increased urbanization are adding pressure to urban transportation on the ground. Some 56% of the global population – 4.4 billion inhabitants – live in cities, according to the World Bank’s data in 2022. The urban population is projected to more than double by 2050, when almost 7 of 10 people will live in cities.

Transportation is a nonnegligible part in this migration. The speed and scale of urbanization have led to unprecedented traffic congestion in megacities and could further exacerbate challenges faced by ground mobility, with growing demand for higher travel volume, frequency and efficiency across urban and suburban areas.

Expanding ground-based urban transportation infrastructure requires significant investment, including increasing costs of time and money in building traffic systems and parking lots. It is also becoming increasingly difficult given how the constraints in ground mobility capacity cause complications in scaling networks across locations. Ultimately, a new, innovative and environmentally friendly transportation solution is needed in urban areas and in high demand.

### ***eVTOL Technologies Make AAM Possible***

The advancements in eVTOL technologies are enabling a new era of transportation with AAM, poised to revolutionize the way we move people and goods across intracity and intercity areas.

One of the key drivers of eVTOL technology is the rapid development of battery technology driven by continued investment in ground-based electric vehicles. Lithium-ion batteries are becoming more efficient, with higher capacity and energy density, shorter charge times, and longer cycle life. These advancements are enabling eVTOL aircraft to fly longer distances and carry more passengers and cargo, while reducing the weight and cost of the overall system. Moreover, distributed electric propulsion (“DEP”), which uses multiple small electric motors instead of a single central engine, makes quiet and cost-effective eVTOL aircraft accessible. Other critical enablers include the development of advanced materials and manufacturing techniques, which are helping to reduce the weight and improve the performance of eVTOL aircraft, and the telecommunications and sensor technologies that are essential for safe and efficient operation of these aircraft.

On the other hand, eVTOL technologies offer a range of advantages over traditional ground-based two-dimensional transportation options. It is a safe, efficient, simple and carbon-free mobility solution. With their ability to vertically take off and land, eVTOL aircraft require less infrastructure than traditional airports or helipads, and can utilize more of the three-dimensional urban airspace. Additionally, it also allows efficient direct point-to-point flights, reducing the time in travel and increasing productivity.

As a result, eVTOL technologies are making AAM possible, unlocking greater freedom of mobility. eVTOL aircraft could become an important part of a three-dimensional mobility solution that connects the ground, the sea and the sky for future’s transportation.

### ***Pilotless eVTOL Aircraft Bring Revolutions to AAM***

Pilotless eVTOL aircraft are transforming the AAM landscape, bringing a host of benefits that were previously unattainable. The integration of artificial intelligence and autonomous systems into eVTOL aircraft enables them to reduce traffic congestion and accidents caused by human pilot errors. With an on-demand ridesharing network, pilotless air taxi can increase the utilization of vehicles, improving travel efficiency and convenience for commuters. The resulting reduction in traffic congestion and commute times can significantly enhance the quality of life for urban residents.

Additionally, pilotless aircraft can save costs on professional pilots, who are often scarce and expensive to train. With autonomous systems, it is also convenient to effectively manage large-scale aircraft fleets and flight routes. The ability to remotely monitor and control aircraft in emergencies makes them a reliable transportation option for emergency services and critical medical supplies.

Furthermore, with their vertical take-off and landing capabilities, eVTOL aircraft can utilize more urban airspace and reduce the strain on ground transportation infrastructure. The introduction of pilotless eVTOL aircraft has the potential to change the way people live and travel, bringing social and economic revolutions in many conventional fields, including tourism and local transportation.

### ***Significant AAM Market Opportunities***

The potential of global AAM market is immense and is expected to grow exponentially over the next few decades. The opportunities presented by the AAM market extend beyond just transportation. The emergence of eVTOL aircraft offers an alternative travel solution that is more efficient and sustainable than traditional modes of transportation such as helicopters, cars, and airlines. They have the potential to enable faster and more convenient travel, reduce traffic congestion and carbon emissions, and increase economic growth through job creation and new business opportunities.

China has positioned the low-altitude economy as one of the national strategic emerging pillar industries, and promoted increasingly favorable policies and regulations for the development and AAM operations of pilotless, electric, intelligent UAVs and eVTOL aircraft. In line with the national government's strategic planning, local governments have introduced policies to support areas such as low-altitude aircraft vertiport construction, manufacturing, commercial operations, and technological innovation. As of July 2025, almost more than 90 cities in China have included low-altitude economy development in their work plans, creating a favorable environment for commercialization and industry growth. Based on its large populations and massive market demand, the China low-altitude economy market has great potential for our pilotless eVTOL aircraft with various use cases in aerial tourism, urban transportation, aerial logistics, emergency services, smart city management, etc. According to public information, it is estimated that the market size of the low-altitude economy will reach RMB2 trillion and there will be 100,000 units of eVTOL aircraft in China market by 2030. Besides, China's efficient and cost-effective UAV and electric vehicle manufacturing and supply chain competence bolster up its AAM market growth potential.

### **Our Competitive Strengths**

#### ***Pioneer and leader in the global AAM industry***

As the world's leading AAM technology platform company, we are the pioneer and leader in the global AAM industry with prominent first-mover advantages.

We unveiled the world's first human-carrying pilotless eVTOL aircraft, the EH184, at CES in the U.S. in 2016, attracting worldwide interest and passion to this disruptive technological revolution and the emerging AAM industry.

We developed and established the first command-and-control system and center at our headquarters in Guangzhou, China, in 2017, enabling cluster management of our pilotless eVTOL aircraft and UAVs through an intelligent system platform.

In December 2019, EHang was successfully listed on Nasdaq following an initial public offering, becoming the world's first publicly traded company in the AAM industry.

As a first mover, we not only design, develop, manufacture and sell our pilotless eVTOL aircraft and UAV products, but also actively collaborate with our customers and partners to explore various practical use cases through operating our products globally. As of December 31, 2025, the flight footprints of our human-carrying pilotless eVTOL aircraft have accumulated more than 83,000 safe, autonomous flights in 21 countries across Asia, Europe, the Americas and Africa, predominantly in China. The industry-leading flight record demonstrated our product safety, reliability, adaptability and performance in different environments.

We are also a first mover in certification breakthrough in global eVTOL aircraft industry. In 2023, our EH216-S obtained the TC and standard AC from the CAAC, demonstrating that the EH216-S complies with the CAAC's safety standards and airworthiness requirements and is qualified for conducting human-carrying commercial operations. In March 2024, we further obtained the PC from the CAAC, allowing our mass production of EH216-S. In March 2025, Guangdong EHang General Aviation Co., Ltd. and our joint venture company Hefei Heyi Aviation Co., Ltd. were granted the OC for EH216-S commercial operations from the CAAC. These certificates are not only the world's first for the new type of human-carrying pilotless eVTOL aircraft, but also serves as an epoch-making milestone for commercial AAM operations.

### ***Proprietary and revolutionary pilotless eVTOL aircraft and UAV technologies***

With our mission to make safe, autonomous and eco-friendly air mobility accessible to everyone, we have proprietary developed the revolutionary pilotless eVTOL aircraft and UAV technologies and products through deeply integrating our strong expertise in the fields of both aviation and software system. This makes our products different from and competitive than helicopters and piloted eVTOL aircraft and UAVs.

Compared with fuel-powered piloted helicopters, our EH216-S eVTOL aircraft has much lower lifetime cost by greatly decreasing acquisition price, maintenance costs, and pilot expenses, while providing a safe, autonomous, eco-friendly and quieter new way of air mobility.

With safety as the orientation as well as our first priority above anything else, we innovate and stick to three fundamental technological principles, which are redundancy design, autonomous flying, and cluster management that are reflected in all of our products.

To ensure the safety, we adopt a full redundancy design and technologies in our products from day one in order to avoid single points of failure. Through the configuration of distributed electric propulsion, our pilotless eVTOL aircraft provide a safe and reliable propulsion system with backups for key components and sub-systems. If any would malfunction, the fail-safe system in our intelligent flight control systems can automatically monitor the situation in real time and quickly respond to restore the lost functionality through backups to ensure safety. For example, our EH216 series have 16 coaxial propellers driven by 16 independent motors mounted on eight arms. According to our tests, the aircraft could still land safely even if any three propellers were intendedly stopped in flight, although the probability of which happens is extremely rare in normal situations. Additionally, our redundancy design with multiple backups is also reflected in our electric systems, sensors, flight control systems, communication systems, etc. to strengthen safety and reliability of our products.

Autonomous flying is also embedded in our genes from day one. Unlike other manually controlled UAVs or piloted eVTOL aircraft, our intelligent pilotless eVTOL aircraft and UAVs can fly without any human pilot onboard and operate autonomously from take-off to landing along pre-determined flight routes under the safe protection by electric fence within the pre-approved airspace.

Cluster management is another key principle as well as our technological advantage to ensure flight safety and autonomy. Our proprietary airborne operating systems and on-the-ground command-and-control systems, or standalone smartphone-or-tablet-or-computer-based controller app, enable reliable and simultaneous management of aircraft fleets at scale. Through high-speed telecommunication networks, it allows real-time monitoring and warning of flight data and status of our products, route planning and fleet management, remote control in emergencies to take contingency measures, etc. to ensure flight safety and enhance intelligence and efficiency.

With the three technological principles, we strive to make safe, reliable and functional products through strict tests. During the airworthiness certification by the CAAC, the safety, airworthiness, performance, functionality, usability and reliability of our EH216-S have been thoroughly and rigorously validated through over 500 specific test items, more than 40,000 test flights for adjustments, and formal conformity validation tests encompassing 65 major categories and over 450 individual test items. These tests included but were not limited to main material performance, structural strength, flame resistance, crashworthiness, gas toxicity, environmental conditions of equipment and systems, software simulation, data links, ground control stations, overall system functionality, electromagnetic compatibility, flight performance and flight stability characteristics.

### ***A rich set of product portfolio for diversified commercial solutions***

Based on our first priority of safety as well as our three fundamental technological principles, we have developed an accessible, scalable, integrated AAM technology platform. Adhering to the philosophy of designing reliable, compact, and efficient pilotless aerial vehicles that meet the evolving needs of urban transportation, we have a rich set of innovative products with differentiated advantages for diversified and immense market demands.

Our proprietary products have multiple designs for different suitable uses, including the EH216 series multi-rotor eVTOL aircraft for low-altitude intra-city air mobility, VT series lift-and-cruise eVTOL aircraft for long-range inter-city air mobility, the medium-sized UAV Falcon B for industrial uses, and the small-sized GD series drones for aerial media performance. Additionally, we provide flexible and customized solutions for different customer demands for high-rise firefighting, and aerial logistics.

The diversity of our product strategy will bring various commercial solutions suitable for our diversified customers and market demand, and will also generate extensive revenue streams from our multiple business lines of air mobility and other solutions.

### ***Strong in-house and collaborative research & development and production capabilities***

Our cutting-edge pilotless eVTOL aircraft technologies and products rely on our strong in-house R&D capabilities. Motivated by Mr. Huazhi Hu, our founder, chairman and chief executive officer, who has a life-time passion and strong technical expertise in both aviation and command-and-control systems, we value the engineer culture and talents, and keep focusing and investing in technology innovation and product R&D since day one.

As of December 31, 2025, our R&D team accounted for 48.61% of our total employees. As of December 31, 2025, we had 506 issued patents, 324 pending patent applications, 698 registered trademarks, and 25 registered software copyrights, to protect our key technologies and intellectual property and maintain our core competitiveness in the long term.

Moreover, we are in extensive cooperations with industry-leading enterprises and academic institutions, including Tsinghua University, Changan Automobile, Inx Technology, Gotion Hi-Tech, Enpower, Minth Group, etc. to jointly develop next-generation technology solutions, components and products for further enhancing our eVTOL product capabilities and portfolio.

We are the first eVTOL company in the world having established a production base with production capabilities of pilotless eVTOL aircraft. Our Yunfu Production Facility ran into operation in June 2021, with an annual capacity of 300 units of eVTOL products at the Phase I plant. Since 2017, we have been certified to AS9100 or EN9100:2018, a globally recognized aerospace and aviation quality management system standard. Further, we obtained the PC from the CAAC in March 2024, allowing our mass production of the certified EH216-S pilotless eVTOL aircraft. Additionally, we can further increase our production capability by expanding the Phase II plant at the Yunfu Production Facility and more facilities in Hefei, Weihai, Beijing in China. This lays a solid cornerstone of our high-quality, efficient and sufficient product manufacturing and delivery capabilities.

### ***Strong customer base and wide partnership network across the value chain to enable AAM ecosystem and commercial operations***

With the first certified pilotless eVTOL aircraft available in the market ahead of our peers with years of the first mover advantage, we have accumulated a strong customer base and wide partnership network with key stakeholders worldwide including regulators, governments and public sectors, universities, aviation companies, tourism companies, infrastructure providers, telecommunication providers, industry associations, etc. We have also participated in a number of European Union's AAM demonstration projects. Our joint efforts and collaborations across the value chain will empower the AAM ecosystem for commercial operations and sustainable development. In addition, the growing market demand for our products and solutions lays a solid foundation for our future revenue growth.

## Our Leading Products and Solutions

Adhering to the three fundamental technological principles to ensure safety, which are redundancy, autonomous flying, and cluster management, we have designed, developed and provided turnkey total solutions to our customers including our proprietary pilotless eVTOL aircraft and UAVs, related operating systems and infrastructures.

### *Pilotless eVTOL Aircraft and UAVs*

Based on different designs and uses, our product portfolio mainly consists of the EH216 series, the VT series, and the GD4.0.

- ***EH216 Series***

The EH216 series consists of the EH216-S (standard model), the EH216-F (firefighting model), and the EH216-L (logistics model). By a multirotor configuration with a compact and lightweight design, the EH216 series adopt a distributed electric propulsion with 16 propellers driven by 16 independent motors mounted on 8 arms, which not only ensures redundancy and flight safety, but also enables stable and accurate navigating, vertically takeoff and landing in urban airspace. With the eight arms folded, the size of the EH216 series is similar to a private car, taking minor space for storage and vertiports than helicopters and large-sized eVTOL aircraft, to provide higher flexibility and operation efficiency especially in urban areas.

Our flagship product the EH216-S is an electric dual-seat human-carrying pilotless eVTOL aircraft launched in 2018. Designed for short-to-medium-range low-altitude intra-city air mobility, it has a suitable flight performance for urban environment, the current maximum flight range of 30km, a flight time of 25min, and a top speed of 130km/h. With no pilot onboard, it can fly autonomously from the origin to the destination along pre-determined flight routes. Through a large panoramic windshield for wide vision and an intuitive tablet interface in front of the seats, people can enjoy the bird's eye view, check the real-time flight status, and communicate with ground crew for support if needed. The modularized structure with an upper cabin for passengers and a lower compartment to house major components and sub-systems ensures structural safety to better protect people on board.

The EH216-F is a firefighting eVTOL aircraft launched in 2020. Customized for high-rise firefighting, it is equipped with customized firefighting devices, such as fire extinguishing projectiles and launchers, a firefighting foam tank and a high-pressure nozzle. It is capable of flying up to 600m height to distinguish high-rise fires accurately and efficiently, while traditional rescue ladders and fire nozzles cannot reach the height. In July 2021, the EH216-F has passed a comprehensive 10-month technical examination to prove its reliability and performance through 52 different types of tests by the China National Fire-Fighting Equipment Quality Supervision Testing Center, which is under the Ministry of Emergency Management of China.

The EH216-L is an aerial logistics eVTOL aircraft launched in 2020, customized for cargo transportation with 250kg payload.

- ***VT Series***

The VT series refers to a series of electric lift-and-cruise models we have designed and developed, consisting of the VT35, the VT20, and the VT10. They combine the advantages of both multirotor and fixed wings, enabling vertically takeoff and landing and longer flight range than multirotor aircraft, while with no requirement for large infrastructures such as runways.

The VT35 is a dual-seat passenger-carrying pilotless eVTOL aircraft, expanding our product portfolio into intercity mobility scenarios. VT35 features a lift-and-cruise layout with eight distributed lift propellers for vertical take-off and landing, transitioning to a pusher propeller and tandem fixed wings for efficient cruise flight. With a fully loaded design range of approximately 200 kilometers, VT35 delivers both long-range capability and compact versatility. Compared to its predecessor VT30, VT35 maintains superior aerodynamic efficiency and flight stability while achieving a more compact footprint – measuring approximately 8 meters in length and wingspan, and 3 meters in height, with a maximum takeoff weight of 950 kg. This compact design reduces ground operational risks and enhances cost-effectiveness. Notably, VT35 is compatible with existing EH216-S vertiports and can utilize a wide range of urban takeoff and landing sites, including parks, rooftops, parking lots, etc. This interoperability greatly enhances infrastructure utilization and supports seamless intercity air mobility directly between city centers.

The VT20 and the VT10 are electric medium-sized lift-and-cruise models with four propellers and fixed wings. They are designed for long-range surveillance, power line inspection, air delivery, and others.

- ***GD4.0***

The GD4.0 is our electric small-sized quadrotor UAV, which features aerial media performance drones for large-scale aerial advertising and light shows. With up to 45 minutes of flight time, centimeter-level positioning accuracy, robust performance in complex environments, and dynamic performance, the GD4.0 deeply integrates large-scale fleet management technology, precision navigation, and intelligent coordination. These capabilities enable the reliable execution of complex aerial formations by more than 20,000 drones, even under challenging low-temperature nighttime conditions. Supported by box-launch ability for rapid deployment, autonomous flight and reduced manpower requirements, the GD4.0 significantly enhances operational efficiency of aerial media performances.

### ***Operating Systems***

We have proprietarily designed and developed an integrated and digitalized operating platform with airborne operating systems installed in our eVTOL aircraft and UAV products, the command-and-control system, the UAM flight operation and management platform, and related infrastructure to allow our products to operate in various scenarios safely and efficiently. The operating systems for different commercial solutions share the same underlying technological architecture.

Our airborne operating systems include an autopilot and flight control system, a communication system, a battery management system and a safety management system, among other things. They are installed on each of our products to enable autopilot, navigation, real-time monitoring, control and performance adjustment. Human control can be exercised from the ground using smartphones, tablets or computers as well as through our command-and-control system, meeting the varied demands of our customers or passengers and contingencies.

- ***Autopilot and Flight Control System***

The autopilot and flight control system enables the autonomous operation of our products without any human pilot onboard and helps to ensure that our products fly in pre-determined routes from the origin to the destination with precise vertical take-off and landing.

- ***Communication System***

We have developed proprietary network protocols based on advanced communication technologies to support high-speed wireless networks between our products and ground command-and-control system. Our communication system is secured with data-encryption technologies for data security. We also use redundant data transmission links, which enable us to switch to a backup communication system if the primary system is breached.

- ***Battery Management System***

Our intelligent battery management system, or BMS, is an industrial-grade solution that monitors all parameters of our products' batteries, including temperature, capacity and voltage. The core of our BMS is the self-adaptive smart battery management algorithm that optimizes the balance between performance and battery life and provides accurate predictions based on data and analysis of flight status. To ensure effective management of battery performance and battery life, an onboard battery management unit transmits real-time BMS data to the flight control system and command-and-control system.

- ***Safety Management System***

Our products use full-redundancy safety technologies in their flight control system, sensors, propulsion system and battery management system. Our proprietary redundancy control algorithms are based on a real-time voting mechanism. Our products are designed with distributed electric propulsion, with an aim of achieving the highest level of safety through redundancy and efficiency. In the event of malfunction of certain parts of our products, the operating systems utilize the backup components to ensure proper functioning and performance of our products.

- ***Command-and-Control System***

We have extensive expertise in command-and-control system. Our proprietary command-and-control system can accurately monitor in-flight status, dispatch aircraft, effect pre-warning and contingency measures, etc. The system ensures that our products fly in pre-determined routes and maintain smooth and efficient operation. It also has the capability to monitor and detect irregularity in the status and operation of our products and to activate contingency measures to restrict and limit actions or movements of our products in emergency situations.

Powered by advanced technologies, our command-and-control system allows for adaptability and scalability. Through continuous uplinks maintained between aircraft and the ground command-and-control system, we are able to simultaneously manage up to 22,580 units of UAVs with precision and accuracy to complete pre-defined actions and movements in the air for aerial media shows.

Besides the command-and-control system for large-scale operations and management, we have also developed an app to enable standalone operations through portable smartphones, tablets or computers to individually monitor and control our products.

As of December 31, 2025, except for the first UAV command-and-control center established in Guangzhou for our own use, we had delivered four command-and-control centers or systems along with suitable models as integrated packages for smart city management solutions to our customers in Shaoguan, Lianyungang, Hezhou and Shenzhen, China. These delivered command-and-control centers or systems are currently operated by our customers, while we provide related required trainings and technical supports. Besides, we sell UAVs to some smart city management customers on a standalone basis, which can be controlled by our app.

- ***UAM Operational Platform***

Digitization is essential for UAM flight operation and safety management. We have built a digital UAM operational platform architecture and established a visualized flight operation module for managing our pilotless eVTOL flight schedule, ground crew, availability of vertiports and landing pads, and other factors across the entire front-line UAM operational process. This platform, which has been put into trial running internally, is designed to connect and interact with the back-end command-and-control system, as well as the future front-end flight booking and payment service windows through either our own app or third-party apps, in order to provide the operation team with a clear and efficient management platform, and offer consumers a smooth flight booking and riding experience.

## ***Infrastructures***

- ***Vertiports***

Vertiports are also essential for eVTOL aircraft operations and mobility efficiency. We have developed a set of requirements and different concept of vertiport designs for our eVTOL aircraft, and we call it E-Ports.

Taking the EH216-S as an example, each E-Port is identified and registered in our UAM flight operation and management platform, therefore our eVTOL aircraft can serve for on-demand flights only within E-Port network to ensure safety and autonomy.

Our E-Ports can locate flexibly at the rooftop, on mountains, near to parking lots, subway or railway stations, airports or harbors, so as to seamlessly connect with other transportation nodes to expand the three-dimensional travel networks.

The scale of each E-Port is determined by the customer demands, density of flight routes and traffic volumes. It could be either a simple landing pad, or a hub station with several landing pads, charging piles, passenger service areas, hangars for storage and maintenance, and more facilities.

Leveraging the advantages of EH216-S's smaller size, lighter weight, lower noise, higher flexibility compared with helicopters or larger eVTOL aircraft, the E-Port network is easier to be deployed, established and expanded by operators in urban areas with lesser costs and time. Usually, our customers and partners take the role to build E-Ports, while we provide designs and requirements.

- ***Charging Piles***

We have developed efficient and intelligent charging piles for our eVTOL aircraft, and have delivered to our customers along with our products. They can monitor real-time charging status and battery health.

## **Our Business Solutions**

### ***Air Mobility***

Air mobility is our main business solution. We aim to provide customers with safe, autonomous, eco-friendly and efficient eVTOL aircraft products, solutions and services for aerial tourism, air transportations of passengers, cargos, emergencies, etc.

Currently, we focus on providing low-altitude urban air mobility solutions to our customers mainly through the sale of our EH216 series eVTOL products and related services including preparation for commercial operations, personnel training, maintenance and repair, etc. In addition, we intend to extent to long-range inter-city air transportation with our VT series eVTOL aircraft for the regional air mobility market in the future. We have delivered six units of the VT35 in 2025, for testing, demonstration and certification purposes.

To take aviation safety as our top priority and the social responsibilities as the first mover entering the emerging commercial market, we will take a prudent approach and business strategy to gradually expand commercial operation scenarios of our certified EH216-S human-carrying pilotless eVTOL aircraft in a safe, progressive manner. Starting from aerial sightseeing and flight experience in the tourism area, we will expand stage by stage under the regulator's guidance to air transportation and on-demand air taxi travel in the long term.

China is our principal market. Driven by increasingly favorable policies and regulations for civil unmanned aviation and low-altitude economy in recent years, the massive local market demand for various commercial applications, and the TC, PC, AC and OC for our EH216-S from the CAAC, our total delivery volume for EH216 series eVTOL aircraft in 2025 was 169 units, including 164 units in China market, and five units in overseas markets.

Apart from delivery, we also actively prepare for the EH216-S commercial operations. In March 2025, our subsidiary Guangdong EHang General Aviation Co., Ltd. and our joint venture company Hefei HeYi Aviation Co., Ltd. were simultaneously granted the first batch of OCs by the CAAC, approving them as commercial operators to provide human-carrying pilotless eVTOL flight services with the certified EH216-S starting from their current operation sites in Guangzhou and Hefei. Meanwhile, we assist our customers in setting up for their flight operations, including planning operation sites, vertiports and flight routes, training operating ground crew team and maintenance staff, preparing for their OC application, and conducting trial operations at more than 40 sites across China.

In addition, we actively extend our partnership with industry stakeholders to pave the way for a long-term sustainable development of the AAM market. For instance, we partnered with China Communications Information & Technology Group and local governments in December 2024 for co-developing digital UAM infrastructure and low-altitude flight hubs across China. We partnered with the Civil Aviation Flight University of China in October 2024 to train skilled professionals for eVTOL operations and maintenance and address the estimated demand for millions of talents of the low-altitude economy sector in China. We partnered with Tsinghua University in July 2025 for establishing a world-class research center for scientific research, technology innovation and talent development in the low-altitude aviation field. We also partnered with the China Academy of Civil Aviation Science and Technology to deepen cooperation in resource sharing, joint innovation, key project collaboration, breakthrough research and development, standards system development and high-level talent cultivation, and accelerate the commercialization of the low-altitude economy and jointly promote the high-quality development of civil UAVs and eVTOL technologies.

Meanwhile, we are actively exploring and expanding international markets. We delivered a total of five units of EH216 series eVTOL aircraft to customers in Japan, Korea, Malaysia and Thailand in 2025. Additionally, in collaboration with our global customers and partners, we have expanded our eVTOL flights in Spain, Japan, Thailand, Rwanda, Indonesia and Qatar in 2025. As of December 31, 2025, the flight footprints of our pilotless eVTOL aircraft have accumulated more than 83,000 safe flights in 21 countries globally. Meanwhile, we have been working with the aviation regulators in multiple countries for local certifications or approvals of our eVTOL trial flights, validation of TC, and commercial operations in the future. In October 2025, we launched a pioneering AAM Sandbox Initiative in Thailand, which is designed to accelerate the pathway toward future commercial operations of our EH216-S pilotless eVTOL aircraft there.

## ***Others***

### ***Smart City Management***

We believe we are the first company having developed and delivered the smart city management solutions with integrated and intelligent command-and-control systems or centers that can centralize and coordinate a wide range of UAV applications simultaneously. We customize and adapt our UAVs to capture live videos, images and data generated by attached modules such as cameras, electro-optical, infrared or other sensors, and loudspeakers as our customers' requirements. The signals and instructions are wirelessly transmitted through high-speed telecommunication network between UAVs and the command-and-control systems we develop for our customers, enabling our customers to receive and send crucial information in real time remotely and safely.

The main customers of our smart city management solutions are public sectors. We provide an integrated and efficient digital platform with customized UAV models as turn-key solutions for monitoring and management across many ordinary municipal functions and public utilities, such as traffic management, powerline inspection, environmental monitoring, firefighting, emergency rescue, aerial mapping, etc. Compared with the traditional manpower-and-time-consuming working mode, the cost-effectiveness and efficiency are greatly improved.

As of December 31, 2025, except for the first UAV command-and-control center established in Guangzhou for our own use, we had delivered four command-and-control centers or systems along with suitable models as integrated packages for smart city management solutions to our customers in Shaoguan, Lianyungang, Hezhou and Shenzhen, China. These delivered command-and-control centers or systems are currently operated by our customers, while we provide related required trainings and technical supports. Besides, we sell UAVs to some smart city management customers on a standalone basis, which can be controlled by our app.

### ***Aerial Media***

We were the first company to launch the aerial media solutions in 2016 and are a leading player in providing aerial media performances, also known as drone light shows. Our services involve managing and choreographing a fleet of UAVs that are equipped with LED lights into a series of moving images. We utilize a range of proprietary navigation technologies, operating systems, and infrastructure to deliver smooth and mesmerizing UAV formations, synchronized movement and accurate display of two-dimensional and three-dimensional patterns, brand logos, or messages. Our remote command-and-control capacity and auto formation flight system enable us to support diverse flight missions and light effects with varying degrees of difficulties. We also use real-time kinematic satellite-based navigation technology (RTK-GPS) to achieve centimeter-level positioning precision for our UAVs. We not only provide large-scale aerial media performance services for outdoor events such as celebrations, festivals, and brand campaigns, but also offer aerial media packages that includes our proprietary GD4.0 UAVs and relevant software to our customers who are able to design and carry out performances themselves with our products.

As of December 31, 2025, we, together with our customers and partners, had completed over 480 aerial media performances by our UAVs in Asia, Africa and Europe. Moreover, we broke the Guinness World Records with our aerial media performances for several times, including the recent record of “the most multirotor/drones airborne simultaneously from a single computer” by 22,580 units of our GD4.0 formation drones at the CMG 2026 China Spring Festival Gala Hefei venue in February 2026.

## **Our Business Strategies**

### ***Extend our technological leadership***

We plan to continue to invest in technological innovation to cement our leadership in pilotless eVTOL aircraft technologies and establish ourselves as the industry benchmark for AAM commercial solutions. We will continue to expand our talent pool and intellectual property, and drive innovation.

### ***Expand our product portfolio and strengthen our platform***

We plan to continue to optimize our existing models, expand our product portfolio, and obtain required certificates for commercial applications. We will continue to develop and certify more models for different uses. We will continue to develop our technology platform and ancillary products and services to strengthen our ability to provide end-to-end AAM commercial solutions that address the growing needs of our customers.

### ***Take advantage of the first eVTOL aircraft certifications for entry into market***

Our EH216-S has obtained the world’s first TC, Standard AC and PC for pilotless eVTOL aircraft from the CAAC, demonstrating it is qualified for human-carrying commercial operations and mass production. Moreover, the EH216-S operators have obtained the OCs for their commercial flight operations in China. On this basis, we plan to further extend to more countries in Asia and other regions worldwide by potential bilateral agreements between aviation regulators and required local certifications.

### ***Capitalize our first mover advantages to continue commercialization and promote adoption***

We will capitalize our first mover advantages ahead of our peers and our uniqueness of pilotless eVTOL aircraft in the commercial market to accelerate the commercialization pace for both product sales and flight operational services. As we continue collaborating with governments, our customers and partners to promote the regulatory and social acceptance, infrastructure establishment, and industrial deployment, we will pilot air mobility services with our pilotless eVTOL aircraft in pre-determined routes as a precursor for more flexible, on-demand services networks starting from scenic areas gradually to urban areas.

### ***Keep enhancing commercial operation capabilities***

We will keep developing and improving our AAM digital operational platform for an effective and efficient management of aircraft, flight schedule and routes, ground crew, vertiports, air traffic, and approved airspace. In addition, we will continue to enhance commercial operation capabilities by expanding air mobility operation team, improving operational standards and rules, and exploring feasible and replicable commercial operational mode together with our business partners.

### ***Explore new monetization opportunities and develop diversified revenue streams***

We plan to explore new monetization opportunities and develop diversified revenue streams by leveraging our fundamental technology platform to pursue operating synergies across our business lines and better economic efficiency. For example, we may charge recurring fees for our software system licenses, operational and maintenance services for our products. We may also enter into revenue sharing, financial leasing, strategic investment arrangements with customers to capture flexible and greater business opportunities.

### ***Expand strategic partnerships across the value chain to develop a sustainable AAM ecosystem***

We plan to continue to expand our partnership network across the value chain in the global AAM industry with business partners and regulatory agencies to foster and grow the commercial eVTOL aircraft market and develop a sustainable AAM ecosystem.

### **Research and Development Capabilities**

Our in-house design, development and engineering capabilities underpin our leadership and support the advancement of our platform. Our design is characterized by unabated efforts to improve safety, reliability and functionality. We have a dedicated research, design and development team in Guangzhou. The team consists of members with strong backgrounds in the fields of electrical engineering, aerospace engineering, mechanical engineering, automation, material engineering and software development. The key R&D team members are mainly graduates of top universities. Our research and development team focuses on core research development, engineering technology, hardware development, and command-and-control systems. We have a dedicated software technology group to lead the research and development of software and algorithms.

Our success has been driven by a passionate, visionary, tech-savvy and entrepreneurial management team with a unique combination of aviation, internet and software expertise. Our founder, chairman and chief executive officer, Mr. Huazhi Hu is one of the pioneers and leaders in the global pilotless eVTOL aircraft industry, who was awarded the Technology Innovation Award by the Living Legends of Aviation Europe in 2019 and ranked the Top one inventor at air taxi firms, who personally took 10% share of all patents filed globally as of August 11, 2022 according to a Roland Berger analyst's research. As a Tsinghua University-trained software engineer, Mr. Hu has amassed substantial experience in the development of command-and-control systems. He was one of the key architects and lead developers behind certain large-scale command-and-control systems, such as that for the 2008 Summer Olympics Games in Beijing.

During the airworthiness certification by the CAAC, our R&D and certification team have well demonstrated their professionalism, comprehensive expertise and innovation spirit, and thoroughly and rigorously validated the safety, airworthiness, performance, functionality, usability and reliability of our EH216-S through over 500 specific test items, more than 40,000 test flights for adjustments, and formal conformity validation tests encompassing 65 major categories and over 450 individual test items. These tests included but were not limited to main material performance, structural strength, flame resistance, crashworthiness, gas toxicity, environmental conditions of equipment and systems, software simulation, data links, ground control stations, overall system functionality, electromagnetic compatibility, flight performance and flight stability characteristics. As of December 31, 2025, the flight footprints of our human-carrying pilotless eVTOL aircraft have accumulated more than 83,000 safe flights in 21 countries across Asia, Europe, the Americas and Africa. The industry-leading flight record demonstrated our technology and product safety, reliability, adaptability and performance in diversified environments.

### **Manufacturing, Quality Control and Supply Chain**

As an original equipment manufacturer of eVTOL aircraft and UAVs, we adopt a safe, compliant, lean and efficient production strategy across our business, focusing on effective prototyping, manufacturing, supply chain management, final assembly, integration, quality control and final acceptance testing.

#### ***Manufacturing***

We currently have a production facility in Yunfu city, Guangdong province, China, which commenced operation in June 2021. It has a total gross floor area of approximately 48,000 square meters, equipped with a series of function areas across the production processes for different types of our products from manufacturing of key components and carbon fiber composite airframes to aircraft assembling and flight testing. In 2025, the Yunfu facility reached an annual production capability of 1,000 units of eVTOL aircraft and related components following the completion of the Phase II plant. The Phase II plant entered trial operations and was engineered to enhance production quality and efficiency by smart manufacturing, featuring a full-process Manufacturing Execution System, paperless operations, Automated Guided Vehicles for automated material calling and delivery, and visual error-proofing systems. As of December 31, 2025, there were 310 contract workers from an independent third-party entity who were involved in the manufacturing of our products in the Yunfu production facility. In addition, we are preparing two additional production facilities in Hefei city, Anhui province, China and Weihai city, Shandong province, China. We also plan to establish a production hub in Beijing focused on emergency rescue equipment, including the EH216-F firefighting aircraft. We expect the production of the Hefei and Weihai facilities to commence following the receipt of relevant PCs.

To ensure high levels of quality and reliability, our dedicated manufacturing team, in close collaboration with our design and engineering arm, manages and conducts the design, engineering and production of key proprietary components, such as flight control system units, communication system units, battery management system units and motor drivers, and performs in-house final assembly of our products.

Our production partners are subject to rigorous selection and review procedures. All of our production system operations incorporate internal and external quality programs and processes to ensure our required standards for acceptance rates, reduce lead times and lower cost.

### ***Quality Control***

Our quality control efforts focus on designing and producing products and implementing processes that will ensure high levels of safety and reliability. We have a dedicated quality control team that works with our engineering arm and our suppliers to ensure that the product designs meet safety requirements and functional specifications. Together with our supplier review committee, our quality control team also collaborates with our suppliers to ensure that their processes and systems are capable of delivering the parts and components we need at the required quality levels, on time and within budgets.

Our products are produced with strict product quality control. Our quality control team undertakes robust inspections of our production lines in accordance with internal guidelines and assessment criteria. We also conduct licensed flight tests for our products under a variety of conditions, which have proven to be an efficient and effective means for us to assess the quality and airworthiness of our products. Data and results generated from flight tests are carefully studied and analyzed to inform any process of alteration or improvement that may follow. In conjunction with our provision of a broad range of after-sales services and assistance to our customers, our product quality control management extends beyond the point of sale as we continue tracking the performance and quality of our products.

We are committed to a high level of quality assurance. Since 2017, we have been certified to AS9100 or EN9100:2018, a globally recognized aerospace and aviation quality management system standard. Further, we obtained the PC from the CAAC in March 2024, allowing our continued mass production of the certified EH216-S. During the PC certification process, our mass production capabilities and quality management system, which encompasses raw materials, supplier management, production organization, production quality control, aircraft pre-delivery test, after-sales repair and maintenance, etc., have been thoroughly validated by the CAAC.

### ***Supply Chain***

We adopt a strict reviewing mechanism to ensure quality and stability of our supply chain. We also aim to fully engage with our suppliers to foster long-standing and strong partnership with qualified suppliers. Our Yunfu production facility is located in the Pearl River Delta area, a world-leading manufacturing hub, giving us easy access to a large number of high-quality suppliers in an efficient manner. Our products are generally manufactured on specific orders and we have been able to effectively manage our inventory level. Historically, we have not experienced significant delays in the supply or availability of our key raw materials or components provided by our suppliers, nor have we experienced a significant price increase for raw materials or components.

We require our suppliers to maintain high-quality deliverables and to comply with specified industry standards. Parts and components sourced from our suppliers must be certified by the China Compulsory Certification or the Underwriters Laboratory, and/or certified with the ISO 9001. Our suppliers of key parts and components are additionally required to be certified with AS9100 or alternative equivalent certificates. We regularly monitor the performance of our suppliers using parameters such as supplier defect rates, production and delivery performance, as well as inventory management.

## **Marketing, Sales and After-Sales Services**

### ***Marketing***

As the first mover in the emerging AAM industry, we have spent years dedicated to educating the stakeholders of regulators, partners, customers and end users with our innovative and cutting-edge pilotless eVTOL aircraft technologies and knowledges, to increase social acceptance of this new way of air mobility, and to promote the visibility of our EHang brand and products globally. We believe these are necessary and significant efforts to accumulate our customer base and partner network, to cultivate the new market from the infancy stage evolving to the mature period, and to catalyze the establishment of AAM ecosystem for the commercial operations.

We kept communicating with our customers, investors and followers through multiple domestic and international online and offline channels and activities, including but not limited to our website, various social media and video platforms, e-commerce platforms, hotlines and emails, mainstream media coverages, brand and product launch events, high-profile exhibitions and industry conferences, worldwide trial and demonstration autonomous flights, etc. The consistent exposures and marketing efforts contributed to our brand awareness, reputation and sales leads.

### ***Sales***

We adopted the direct sales model to sell our products and solutions to our customers, which currently are mainly corporate clients. We have established an in-house direct sales team based in the PRC and Europe to serve our customers from around the world. We are also in discussion with existing and potential business partners in the PRC and abroad to complement our direct sales efforts with sales to distributors and franchise arrangements.

On top of our sales in the PRC, we have exported our products to Asia, Europe, Africa, North America and South America. In 2023, we delivered our EH216 series products to customers in Japan, Brazil, Colombia, Saudi Arabia and Qatar. In 2024, we delivered our EH216 series products to customers in Japan, Brazil, the United Arab Emirates and the Dominican Republic. In 2025, we delivered five units of the EH216 series products to customers in Japan, Malaysia, Thailand and Korea. We strive to ensure that our exported products comply with the regulatory and safety standards of the local markets.

Our customers place purchase orders taking into account the terms of the relevant framework agreement, if applicable, and the customer's procurement requirements. We start production after the purchase order from customers is made, and production generally takes three months to deliver. Customers are contractually required to make upfront payment to us.

Except for purchase orders, we have also entered into a number of long-term framework and conditional agreements time to time with our customers and business partners relating to preorder or distribution of our products and solutions. These non-binding agreements do not obligate the customers to purchase the products unless certain conditions are satisfied. Fulfillment is expected to take several years and is conditional upon, among other things, achievement of performance milestones and receipt of regulatory approvals. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our framework and conditional agreements may not result in material sales of our products."

### ***After-Sales Services and Warranty***

We provide after-sales services for customers of our products. We currently offer free installation and training programs thereafter to prepare our customers for its safe operation. The term of our warranty for the EH216 series products is six months to three years depending on the specific parts and components, and the term of our warranty for our small-and-medium-sized UAVs is from six to twelve months depending on the product line and the specific parts and components. Within the warranty period, customers are entitled to free repair and maintenance services, while costs for accessories and maintenance fees beyond the warranty will be charged separately. The warranty on certain components of our products, such as batteries, is covered by our suppliers' back-to-back warranty and we are entitled to have the suppliers replace or repair these defective components at their costs. We also provide our customers with lifetime consulting services on maintenance and operation through our website, over the telephone and via email.

For our commercial solutions, we provide a full spectrum of services. To facilitate the efficient operation of our command-and-control systems, we provide, among others, system operation and maintenance training, service support, engineering support, inspection and repair, and technical consulting support. Our customers enjoy services throughout the operational life of our command-and-control systems. Most of these services are performed on-site.

We continue to maintain and upgrade our airborne software infrastructure to enhance the functionality, reliability and safety of our products. We regularly inspect, maintain and upgrade the fundamental communication network and transmission system to ensure the smooth communication between our aircraft and the command-and-control systems.

### ***Operational Services***

With our strategic positioning to be a AAM platform operator, we adopt an integrated business model by selling products and solutions and providing operational services.

For commercial operations, we have established a well-trained in-house air mobility operation team specifically for flight operations of our pilotless eVTOL aircraft, including the staff for route planning, flight operations, safety management, regulatory compliance, digital operational platform, sales and marketing.

As of December 31, 2025, we and our customers have completed about 83,000 safe flights in 21 countries across Asia, Europe, the Americas and Africa, predominantly with the EH216 series pilotless eVTOL aircraft in China, mainly for aerial sightseeing and tourism applications. In this process, we have been exploring and improving operational procedures and safety rules, running our digital UAM operational platform on a trial basis, and developing feasible, replicable operational expertise and mode. It lays a solid foundation for our eVTOL operators to initiate commercial operations after required certifications and approvals are completed.

### **Competition**

We operate in the emerging AAM industry, and provide various commercial solutions, including air mobility, smart city management and aerial media solutions. Our air mobility solutions may be alternatives with better efficiency and economics to those offered by traditional industry players, such as helicopters and ground transportation service providers. We believe the primary competitive factors in our markets include technological innovation, safety, certification, quality, user experience, and operational and manufacturing efficiency.

We believe we are the first mover and a leader in air mobility solutions. We are the world's first company to secure the TC, PC, standard AC and OC for human-carrying pilotless eVTOL aircraft from the aviation authority, allowing for commercial operations and mass production of our eVTOL aircraft. In comparison, according to our knowledge, most of our domestic and foreign peer companies have no such certificates yet and may still need years for them to obtain. In addition, our eVTOL aircraft's unique features of compact, lightweight design, and autonomous flying and cluster management technologies enable higher safety, efficiency and economics for air taxi commercial operations in urban areas compared with other larger-sized, heavier, human-piloted, higher-cost aircraft products. In other areas of our business, including aerial logistics, smart city management and aerial media solutions, we also face several major competitors in separate field. We believe that we are strategically positioned in the commercial AAM market with exceptional pilotless eVTOL aircraft technologies, innovation capabilities, certifications, broad use cases and leading positions in providing integrated smart city management solutions and aerial media solutions.

### **Intellectual Property**

We have significant capabilities in the areas of engineering, development and design and have developed a number of proprietary products, systems and technologies. Our success depends in part on our ability to protect our core technologies and intellectual property. We rely on a combination of patents, patent applications, trade secrets, know-how, copyrights, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technologies. In addition, we have entered into confidentiality and non-disclosure agreements with our employees and business partners. The agreements we entered into with employees provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment are our property.

As of December 31, 2025, we had 506 issued patents, 324 pending patent applications, 698 registered trademarks, and 25 registered software copyrights. We will continue to expand our intellectual property portfolio.

### **Seasonality**

Because of the nature of our business model, our overall business may experience a pattern of seasonality. For instance, some of our specific businesses such as aerial media solutions have showed seasonality in which we may receive more revenues from such business in major holidays. We may also have a lower number of deliveries of our products in the first quarter of each fiscal year due to holiday seasons. We may experience more pronounced seasonality as our business continues to expand.

### **Insurance**

We maintain various types of insurance, employer's liability insurance, to protect assets in the event of any accident that might cause significant losses. We also purchase insurance policies that are either legally compulsory or required by our customers. For example, we maintain third-party liability insurance for UAVs, which is required for our commercial operation license. We have liability insurances with coverage and conditions that we consider appropriate. For example, we maintain aviation product liability insurance, which covers bodily injury or property damage caused by defects in our products. In relation to our human-carrying pilotless eVTOL aircraft in operation, we have maintained airplane body and flight insurance to cover damages to passengers and third-party liabilities. We believe that our insurance coverage is adequate to cover our key assets, facilities and liabilities.

### **PRC Regulation**

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

#### ***General Laws and Regulations Relating to Civil Aviation Administration***

On October 30, 1995, the Standing Committee of the National People's Congress of the People's Republic of China adopted the Civil Aviation Law of the People's Republic of China (hereinafter referred to as the "Civil Aviation Law"), which was subsequently amended on August 27, 2009, April 24, 2015, November 7, 2016, November 4, 2017, December 29, 2018 and April 29, 2021. The Civil Aviation Law establishes the general principles and rules for civil aviation administration and domestic airspace management. Pursuant to the Civil Aviation Law, the State has absolute and exclusive sovereignty over its territorial airspace. The division of airspace must take into consideration the needs of both civil aviation and national defense and security, as well as the interests of the public, with a view to effect a rational, full and efficient use of the airspace. Detailed measures for airspace control will be formulated by the State Council and the Central Military Commission. The State Council's department in charge of civil aviation will exercise uniform supervision and administration of civil aviation activities nationwide and will, in accordance with the law and the decisions of the State Council and within the limits of its authority, promulgate regulations and decisions concerning civil aviation activities. Regional civil aviation administration office established by the State Council's department in charge of civil aviation will supervise and administer civil aviation activities within their respective regions in accordance with the authority delegated by the State Council's department in charge of civil aviation. In addition, where it is otherwise provided for by the State Council or the Central Military Commission on the administration of unmanned aircrafts, such provisions shall prevail.

On May 24, 2017, the Ministry of Transport promulgated the Civil Aviation Product and Parts Certification Regulations (hereinafter referred to as "CCAR-21"), which came into force on July 1, 2017. The purpose of these Regulations is to ensure the airworthiness of civil aviation products and parts, and they apply to the type certification, production certification and airworthiness certification of civil aviation products and parts.

On February 11, 2022, the Ministry of Transport promulgated the Certificate Rules on Civil Aircraft Maintenance Organization (hereinafter referred to as “CCAR-145”), which came into force on July 1, 2022. The purpose of these Rules is to regulate the issuance and administration of civil aircraft maintenance organization certificates and ensure the continued airworthiness and flight safety of civil aircrafts, and apply to the qualification certification, supervision and administration of organizations which have obtained civil aircraft maintenance organization certificates (hereinafter referred to as the “MO”). MO include Independent MO and Operator’s MO; Independent MO shall include Domestic MO and Foreign MO.

On May 31, 2023, the State Council and the Central Military Commission jointly promulgated the Interim Regulations on the Operation Management of Unmanned Aerial Vehicle (hereinafter referred to as the “Interim Regulations on UAV”), which entered into force on January 1, 2024. The Interim Regulations on UAV classify UAV into five categories (micro, light, small, medium and large) based on performance indicators, and establish a full-chain management system covering airworthiness certification, registration management, operation requirements, airspace and flight activity management, operator management, liability insurance, etc. As China’s first administrative regulation comprehensively regulating the flight management of UAV, the Interim Regulations on UAV clarify the management system, objects and contents, realize the legalization of classification, scope, authority, procedures and responsibilities, and provide important guidelines for the high-quality implementation of low-altitude safety management.

On January 1, 2024, the Ministry of Transport promulgated the Rules for the Administration of Operational Safety of Civil Unmanned Aerial Vehicle (hereinafter referred to as the “UAV Safety Rules” or “CCAR-92”), which entered into force on the same day. The UAV Safety Rules require real-name registration and risk-based operational classification of UAVs, clarify the basic requirements, scope of application, application and review procedures for airworthiness management, airspace management and operation management, and specify safety operation requirements for operators. Its promulgation marks PRC’s entry into an era of standardized and legalized unmanned aircraft supervision, and has become a milestone in maintaining aviation order, ensuring public safety, and promoting the healthy and orderly development of the AAM industry.

### ***Regulations on Airworthiness Management of UAV***

- ***Design Approval***

Design approval refers to a certificate issued by the Civil Aviation Administration of China (the “CAAC”) to confirm that the design of a model of aviation product complies with relevant airworthiness regulations and requirements. Forms of design approval include Type Certificates (“TC”) and Supplemental Type Certificates. A civil aircraft can only be put into production and use after passing type certification.

Pursuant to the Civil Aviation Law, application shall be filed with the competent civil aviation authority under the State Council for type certificate for the design of civil aircraft and is engines, propellers and on-board equipment. A type certificate shall be issued accordingly if found qualified through examination.

Pursuant to the relevant provisions of the Interim Regulations on UAV, CCAR-92 and CCAR-21, entities engaged in the design of medium and large unmanned aircraft systems (including unmanned aircraft and their remote-control stations, etc.) shall apply to the competent civil aviation authority of the State Council for design approval of civil unmanned aircraft in accordance with the law. The “Design Approval” chapter of CCAR-92 specifies the application and issuance of Type Certificates and Supplemental Type Certificates, the administration of certificate holders, and the basic requirements for the design assurance systems of applicants and holders.

The Airworthiness Certification Management Procedure for Civil Unmanned Aircraft System (hereinafter referred to as the “Airworthiness Certification Management Procedure”) issued by CAAC on December 19, 2022, specifies the certification principles for design approval, specific requirements for design assurance systems, type certification processes, and the administration of design approval. In addition, CCAR-92 clearly sets out the eligibility requirements for applicants for design approval: applicants shall have established or be in the process of establishing a design assurance system that meets the requirements, formulated a design assurance manual in compliance with CAAC’s requirements, and further specifies the application documents and applicable requirements for the corresponding civil unmanned aircraft systems.

Pursuant to CCAR-92, an applicant may obtain a Type Certificate for the corresponding civil unmanned aircraft system if it has established a design assurance system that meets the requirements, and the corresponding civil unmanned aircraft system complies with the applicable requirements and conditions confirmed by CAAC. For design modifications to civil unmanned aircraft systems, CAAC may issue a Supplemental Type Certificate to the applicant if it confirms that the applicant has a design assurance system that meets the requirements and the design modification applied for approval complies with the applicable requirements.

Unless otherwise specified by laws, regulations and rules, Type Certificates and Supplemental Type Certificates shall be valid for a long term.

- ***Production Approval***

Production approval refers to a certificate issued by CAAC to entity to authorize the production of civil aviation products in accordance with the approved design and quality system. For an entity engaging the business of manufacturing civil aircraft products, this certificate is the Production Certificate (“PC”).

Pursuant to the Civil Aviation Law, application shall be filed with the competent civil aviation authority under the State Council for production certificate for the production of civil aircraft and is engines, propellers and on-board equipment. A production certificate shall be issued accordingly if found qualified through examination.

Pursuant to the relevant provisions of the Interim Regulations on UAV, CCAR-92 and CCAR-21, entities engaged in the production of medium and large civil unmanned aircraft systems shall apply to the competent civil aviation authority of the State Council for production approval of civil unmanned aircraft in accordance with the law. The “Production Approval” chapter of CCAR-92 specifies the application and issuance of Production Certificates, the administration of Production Certificate holders, and the management of production based on Type Certificates.

CCAR-92 clearly sets out the eligibility and requirements for Production Certificate applicants: applicants for Production Certificates must hold or have applied for a Type Certificate or Supplemental Type Certificate, and shall establish and document a quality system that meets CAAC’s regulations and provide a quality manual. In addition, the Production Approval and Supervision Procedure issued by CAAC on December 6, 2023, further specifies the specific requirements and review processes for production approval, as well as the supervision requirements for Type Certificates holders and product-based system review requirements.

Pursuant to CCAR-92, after confirming that the applicant meets the relevant requirements, CAAC shall issue a Production Certificate to the applicant, authorizing it to conduct production activities in accordance with the specified quality manual. The issuance of a Production Certificate indicates that the applicant has established a complete quality system that meets the requirements, ensuring that each civil unmanned aircraft and its components produced comply with the approved design and are in a safe and usable condition. If civil unmanned aircraft systems have similar production characteristics, more than one type of civil unmanned aircraft system may be produced under a single Production Certificate. The Production Limitation Record is part of the Production Certificate, which lists the serial numbers and types of the Type Certificates or Supplemental Type Certificates of each civil unmanned aircraft system permitted to be produced by the Production Certificates holder.

Unless otherwise specified by laws, regulations and rules, Production Certificates shall be valid for a long term. If the location of production facilities is changed, additional Type Certificates or Supplemental Type Certificates are added, additional product types of civil unmanned aircraft are added, or both design approval and product types are added, the applicant shall apply to CAAC for modification of the Production Certificate.

In addition, pursuant to the Several Provisions on the Administration of the Production of Civil Unmanned Aerial Vehicle promulgated by the Ministry of Industry and Information Technology on December 18, 2023 and effective as of January 1, 2024, civil UAV producers shall assign a unique product identification code to each civil UAV they produce, which shall include the producer's name code, product model code and serial number. Civil UAV producers shall file the information of the unique product identification code with the Ministry of Industry and Information Technology before putting the civil UAV into the market. Civil UAV producers shall not install malicious programs in civil UAV; if they discover defect or loophole etc. in network or data security in UAV, they shall immediately take remedial measures, promptly inform users in accordance with relevant national regulations, and report to the competent industry and information technology department of the local people's government at or above the county level at its domicile or to the competent department of communications at the provincial level. The State encourages producers of civil unmanned aircraft to protect cyber and information security by using commercial passwords and other technical means according to the law.

- *Airworthiness Approval*

Airworthiness approval refers to a certificate issued by CAAC for certain product of an aircraft, aircraft engine, propeller or component to confirm that such aircraft, aircraft engine, propeller or component complies with the approved design and is in a safe and usable condition. Pursuant to the Civil Aviation Law, a civil aircraft possessing the nationality of the PRC may fly only if it holds an Airworthiness Certificate ("AC") issued by the competent civil aviation authority of the State Council.

Pursuant to the relevant provisions of the Interim Regulations on UAV, CCAR-92 and CCAR-21, airworthiness approval applies to medium and large civil unmanned aircraft systems engaged in specific category operations and certified category operations. The "Airworthiness Approval" chapter of CCAR-92 specifies the application, issuance and administration of Airworthiness Certificates such as Standard Airworthiness Certificates, Special Airworthiness Certificates, Special Flight Permits and Export Airworthiness Certificates, among which: Standard Airworthiness Certificates apply to normal and transport category civil unmanned aircraft systems that have obtained Type Certificates; Special Airworthiness Certificates apply to restricted category civil unmanned aircraft systems that have obtained Type Certificates; Special Flight Permits apply to civil unmanned aircraft systems that have not obtained valid Airworthiness Certificates or may not meet relevant airworthiness requirements but can safely conduct relevant flight activities under certain restrictive conditions.

In addition, for civil unmanned aircraft systems intended for export overseas, if the importing country has special requirements, the exporter or its authorized representative shall apply for an Export Airworthiness Certificate for the system in accordance with the relevant requirements proposed by the importing country. However, the Export Airworthiness Certificate shall not serve as a document approving the operation of the civil unmanned aircraft system.

Pursuant to CCAR-92 and the Airworthiness Certification Management Procedure, the owner or possessor of a civil unmanned aircraft system that has completed real-name registration in accordance with relevant requirements may apply for an Airworthiness Certificate for the civil unmanned aircraft system. The applicant shall submit an application form and relevant documents proving the airworthiness of the aircraft system, and accept the airworthiness inspection of the aircraft system by CAAC. CAAC shall issue the Airworthiness Certificate after completing the airworthiness inspection and confirming that the applicant meets the requirements. However, for new civil unmanned aircraft systems manufactured in accordance with Production Certificates, CAAC may issue the Airworthiness Certificate without conducting an airworthiness inspection after verifying the application materials submitted by the applicant. Any modification to the Airworthiness Certificate of a civil unmanned aircraft system shall be applied for to CAAC.

During the registration of a civil unmanned aircraft in the PRC, unless the Airworthiness Certificate is suspended, revoked, or CAAC specifies an expiration date otherwise, the Airworthiness Certificate shall remain valid for a long term if the civil unmanned aircraft is maintained in accordance with relevant regulations and operated in compliance with operational restrictions.

- ***Ensuring Continuous Airworthiness***

Pursuant to the Civil Aviation Law, the owner or lessee of a civil aircraft shall use the aircraft in accordance with the scope of use prescribed in airworthiness certificate, conscientiously carry out the maintenance of aircraft, and ensure its airworthiness.

Pursuant to the CCAR-145, Independent MO and Operator’s MO (including Domestic MO and Foreign MO) engaged in the maintenance of civil aircraft, their engines, propellers and on-board equipment shall apply for and obtain a Maintenance Certificate. The Independent MO refers to a MO which is independent from aircraft operators; the Operator’s MO refers to the MO set up by an operator or jointly with others, but controlled or actually managed by the operator, and designated to provide maintenance services for the aircraft or aircraft components of the operator itself. The operator’s MO shall be treated as an independent MO while providing maintenance services for the third-party organizations. The Maintenance Certificate is applicable for enterprises commercial routes and perform maintenance work in-house, but it remains unclear under the requirement set forth in the CCAR-145 that whether manufacturers that provide repair and maintenance services are required to obtain the Maintenance Certificate. In addition, given that we are a manufacturer of civil aircraft, whose corresponding maintenance business is not segregated from the production line and who does not provide maintenance services for civil aircraft products produced by third-party manufacturers, we are therefore not considered an Independent MO, nor do we need to obtain Maintenance Certificate at the present stage.

Pursuant to CCAR-92, to ensure the airworthiness of civil unmanned aircraft systems, operators shall designate maintenance personnel or organizations with specific qualifications to perform the following maintenance work. Except that the qualifications of maintenance personnel or organizations for civil unmanned aircraft based on traditional aircraft design shall comply with the relevant requirements of the General Operating and Flight Rules (hereinafter referred to as “CCAR-91”), the qualification requirements for personnel or organizations performing maintenance work on civil unmanned aircraft systems are as follows: (i) for non-complex maintenance work on medium and large civil unmanned aircraft and their components, the work shall be performed by at least personnel who have passed the model-specific maintenance training in accordance with the specifications recommended by the manufacturer; (ii) for maintenance work on small civil unmanned aircraft, the work shall be performed by at least personnel who have passed the necessary unmanned aircraft maintenance knowledge and model-specific maintenance training; (iii) any personnel who have obtained a maintenance personnel license in accordance with the Civil Aircraft Maintenance Personnel License Management Rules (hereinafter referred to as “CCAR-66”) shall be deemed to meet the qualification requirements of the aforementioned personnel; (iv) for complex maintenance work on medium and large civil unmanned aircraft and their components, the work shall be performed by MO approved in accordance with the CCAR-145; (v) for maintenance work on remote control stations and control links, the work shall be performed by personnel who have passed the special training recommended by the manufacturer of the civil unmanned aircraft system or its service provider.

The Aircraft Evaluation Group (AEG) of CAAC issued the EH216-S Aircraft Evaluation Report (AER.080E—Initial Version) on June 15, 2024, confirming that the content specified in the “Maintenance Personnel Qualification Specifications” chapter of the report will serve as the qualification requirements for maintenance personnel under the framework of China’s civil aviation regulations. The report clarifies that, given that the EH216-S unmanned aircraft is not based on traditional aircraft design, there is no requirement for maintenance personnel to hold an aircraft maintenance personnel license or model endorsement, but they shall complete the training in accordance with the EH216-S Unmanned Aircraft System Model-Specific Maintenance Training Specifications (Document No.: S-942TD521, Version A and subsequent revisions). The aforementioned training specifications mainly target the non-complex maintenance work of the EH216-S unmanned aircraft and its components and note that the EH216-S unmanned aircraft system does not involve complex maintenance work at present. The operational and continuous airworthiness documents recognized by AEG, including but not limited to the EH216-S Flight Manual, EH216-S Maintenance Manual and EH216-S Remote Operator Manual, and their revisions, will be directly provided by EHang to aviation operators or MO. In addition, EHang may provide model-specific maintenance training for maintenance personnel of the EH216-S unmanned aircraft system.

### ***Regulations on Registration Management of UAV***

Pursuant to the relevant provisions of the Interim Regulations on UAV and CCAR-92, the owner of a civil unmanned aircraft shall conduct real-name registration in accordance with the law, and the specific measures shall be formulated by the competent civil aviation authority under the State Council jointly with other relevant departments. Civil unmanned aircraft used for overseas flights shall make nationality registration pursuant to the law.

- ***Real-Name Registration***

Pursuant to the relevant provisions of the Measures for the Administration of Real-Name Registration of Civil Unmanned Aircraft issued and implemented by CAAC on May 16, 2017, owners of civil unmanned aircraft must conduct real-name registration in accordance with the requirements as of June 1, 2017.

Pursuant to CCAR-92, the owner of a civil unmanned aircraft shall conduct real-name registration on the Civil Unmanned Aircraft Comprehensive Management Platform (UOM) in accordance with the provisions and obtain a registration mark before activating and using the civil unmanned aircraft. As of January 1, 2024, producers of civil unmanned aircraft shall ensure that the unmanned aircraft they produce are equipped with the function of being activated and used only after real-name registration and shall register the model information of their produced products on the UOM. If the contact information or other information of the owner or possessor changes or the use of the civil unmanned aircraft changes, the owner shall update the information. The validity period of real-name registration shall be from the date of issuance to the date of cancellation of registration.

- ***Nationality Registration***

Pursuant to CCAR-92 and the Civil Unmanned Aircraft Nationality Registration Management Procedure issued by CAAC on January 20, 2023, civil unmanned aircraft involved in overseas flights or manned flights shall apply for the nationality of civil unmanned aircraft of the PRC in accordance with the requirements. A civil unmanned aircraft shall not have dual nationalities. The applicant shall fill in an application form for a nationality registration certificate. If the application is deemed to comply with the provisions after review, CAAC shall issue a nationality registration certificate and register it in the Nationality Register of Civil Unmanned Aircraft of the PRC. The validity period of the nationality registration certificate of a civil unmanned aircraft shall be from the date of issuance to the date of modification or cancellation of registration.

Operators operating civil unmanned aircraft with the nationality registration of the PRC outside the territory of the PRC shall comply with the following provisions: (i) over the high seas, comply with the annexes to the Convention on International Civil Aviation and relevant rules; (ii) within the territory of other countries, comply with the effective laws, regulations and procedures of the host country concerning the operation of civil unmanned aircraft.

### ***Regulations on Operation Management of UAV***

- ***Operation Approval Management***

Pursuant to the Civil Aviation Law, general aviation refers to civil aviation operations other than public air transport with civil aircraft, including aerial work in the fields of industry, agriculture, forestry, fishery and building industry, as well as flight operations in medical and health work, emergency and disaster relief, meteorological service, ocean monitoring, scientific experiments, education and training, culture and sports. Organizations which engage in general purpose aviation of a non-business nature shall file with the State Council's department in charge of civil aviation for the record. An organization which engages in general purpose aviation of a business nature must apply for a Business Permit For General Purpose Aviation with the State Council's department in charge of civil aviation. On August 4, 2020, the Ministry of Transport promulgated the Measures for the Administration of General Aviation Operation Approval (hereinafter referred to as "CCAR-290"), which came into force on January 1, 2021. Pursuant to which, enterprises engaged in commercial general aviation activities shall obtain a Business Permit for General Purpose Aviation. Civil aircraft include manned aircraft and unmanned aircraft. Therefore, prior to the entry into force of the Interim Regulations on UAV, enterprises engaged in general aviation operations were required to apply for a Business Permit for General Purpose Aviation.

Pursuant to the relevant provisions of the Interim Regulations on UAV and CCAR-92, units using civil unmanned aircraft other than micro civil unmanned aircraft for flight activities shall meet the following conditions and apply to the competent civil aviation authority of the State Council or the regional civil aviation administrative agency for a Remotely Piloted Aircraft Systems (RPAS) Air Operator Certificate (hereinafter referred to as "Operator Certificate" or "OC"): (i) have the management institutions, management personnel and operators meeting the requirements of these Regulations for the implementation of safe operations; (ii) have unmanned aircraft and relevant facilities and equipment meeting the requirements of safe operations; (iii) have the management systems and operating procedures required for the implementation of safe operations to ensure the continuous ability to implement safe operations in accordance with the systems and procedures; (iv) for units engaged in commercial activities, they shall also be profit-making legal persons. After receiving the application, the civil aviation administrative department shall conduct an operational safety assessment and make a decision on approval or disapproval in accordance with the law based on the assessment results. If approved, an Operator Certificate shall be issued. The operation of agricultural unmanned aircraft with a maximum take-off weight not exceeding 150 kilograms for agricultural, forestry, animal husbandry and fishery operations in the applicable airspace above agricultural, forestry, animal husbandry and fishery areas (hereinafter referred to as "regular agricultural unmanned aircraft operation flight activities") does not require obtaining an Operator Certificate. Meanwhile, the Interim Regulations on UAV further clarify that engaging in commercial general aviation flight activities after obtaining an Operator Certificate and engaging in regular agricultural unmanned aircraft operation flight activities do not require obtaining a Business Permit For General Purpose Aviation and an Operation Certificate.

CCAR-92 specifies that the types of civil unmanned aircraft operations include: (i) Hover Operation; (ii) Line Operation; and (iii) Others. The commercial operation categories include: (i) Passenger Transportation; (ii) Person onboard; (iii) Laden; (iv) Training; and (v) Others. Meanwhile, CCAR-92 further specifies the issuance conditions, application materials, review procedures, etc. for Operator Certificates. In addition, CAAC issued a notice on soliciting opinions on the Application and Issuance of Operational Approval under CCAR-92 on March 15, 2024, providing guidance for operators applying for operational approval under the Rules for Unmanned Aircraft Safety and clarifying the standard formats of civil unmanned aircraft Operator Certificates and operational specifications.

Unless otherwise specified by laws, regulations and rules, an Operator Certificate shall be valid for 24 calendar months from the date of issuance or renewal.

- ***Airspace Management and Flight Control***

Pursuant to the Civil Aviation Law, the specific measures for airspace management shall be formulated by the State Council and the Central Military Commission. Within a designated controlled airspace, one air traffic control unit shall be responsible for the air traffic control of aircraft in that airspace. Civil aircraft conducting flight activities in controlled airspace shall obtain the approval of the air traffic control unit. Pursuant to the General Flight Rules of the People's Republic of China promulgated by the State Council and the Central Military Commission on October 18, 2007 and effective as of 00:00 on November 22, 2007, the flight control within the territory of China shall be uniformly organized and implemented by the Air Force of the Chinese People's Liberation Army, and the relevant flight control departments shall provide air traffic control services in accordance with their respective division of responsibilities. The organization and implementation of general aviation flight activities must go through the approval procedures in accordance with relevant provisions and submit a flight application to the local flight control department. The content of the flight application includes: the nature of the task, the type of aircraft, the flight scope, the start and end time, the flight altitude and flight conditions, etc. Prior to conducting any flight activities within the territory of China (including demonstration and test flights of unmanned aircraft, and take-offs related to aerial media solutions and logistics services), an application must be submitted in advance and approved.

Pursuant to the relevant provisions of the Interim Regulations on UAV and CCAR-92, China designates Unmanned Aircraft Controlled Airspace (hereinafter referred to as "Controlled Airspace") as needed. Airspace above 120 meters above ground level, air restricted areas, air prohibited areas and their surrounding airspace, ultra-low-altitude flight airspace for military aviation, and the airspace above the following areas shall be designated as Controlled Airspace: (i) airports and certain surrounding areas; (ii) certain areas on the Chinese side of national borders, actual control lines and border lines; (iii) military restricted areas, military administrative areas, supervision places and other classified units and certain surrounding areas; (iv) important military industrial facility protection areas, nuclear facility control areas, production and storage areas of flammable, explosive and other dangerous goods, and large-scale storage areas of combustible important materials; (v) public infrastructure such as power plants, substations, gas stations (LPG stations), water supply plants, public transportation hubs, aviation and power hubs, major water conservancy facilities, ports, expressways, and electrified railway lines, as well as certain surrounding areas and drinking water source protection areas; (vi) facilities requiring special protection of the electromagnetic environment such as radio observatories, satellite measurement and control (navigation) stations, aeronautical radio navigation stations, and radar stations, as well as certain surrounding areas; (vii) important revolutionary memorial sites, important immovable cultural relics and certain surrounding areas; (viii) other areas specified by the national air traffic management leading body. The airspace outside the scope of Controlled Airspace is the applicable airspace for micro, light and small civil unmanned aircraft. No unmanned aircraft flight activities shall be conducted in Controlled Airspace without the approval of the air traffic management authority.

Pursuant to the Interim Regulations on UAV, the competent civil aviation, public security, industrial and information technology, market supervision and administration departments of the State Council shall be responsible for the relevant management of unmanned aircraft nationwide in accordance with their division of responsibilities. Unless otherwise specified by these Regulations, units or individuals organizing unmanned aircraft flight activities shall submit a flight activity application to the air traffic management authority before 12:00 on the day preceding the intended flight. The air traffic management authority shall make a decision on approval or disapproval before 21:00 on the day preceding the flight.

On November 16, 2018, the Civil Aviation Administration of China Southern Regional Administration promulgated the Interim Measures for the Administration of Unmanned Aircraft Flights in the Shenzhen Area. Pursuant to these Measures, the Staff Department of the Southern Theater Command Air Force is responsible for organizing and implementing the pilot work of unmanned aircraft flight management in the Shenzhen area. Unmanned aircraft operation units and individuals shall declare the airspace to the flight control department of the Southern Theater Command Air Force five working days before the flight implementation. The flight control department of the Southern Theater Command Air Force shall, after synthesizing the opinions of the civil aviation administrative department and the public security organ, make a decision on approval or disapproval two working days before the flight implementation. For small, medium and large unmanned aircraft to carry out flight activities, they must first obtain airspace use approval. After the airspace application is approved, a flight application shall be submitted through the designated declaration platform before 15:00 on the day preceding the intended flight. The military aviation flight control department shall give a reply before 21:00 on the day preceding the flight and distribute it to the public security department and the civil aviation administrative department.

- ***Geofencing***

In China, CAAC promulgated the industry standard Unmanned Aircraft Fencing on October 20, 2017, which came into force on December 1, 2017. Pursuant to the relevant provisions of the Interim Regulations on UAV, operators conducting unmanned aircraft flight activities shall make adequate safe flight preparations before the flight, inspect the condition of the unmanned aircraft, and promptly update information such as electronic fencing. CCAR-92 further requires that operators shall enable the civil unmanned aircraft they use to have corresponding airspace maintenance capabilities through technical measures such as electronic fencing.

- ***Trial Operation***

The Flight Standards Department, Airworthiness Certification Department and Air Traffic Management Industry Management Office of CAAC jointly issued the consultative circular Interim Procedures for the Administration of Trial Operation of Specific Category Unmanned Aircraft (hereinafter referred to as the “Interim Procedures”) on February 1, 2019. The Interim Procedures classify unmanned aircraft into nine categories based on their empty weight and maximum take-off weight: category I includes unmanned aircraft with empty weight and maximum take-off weight between 0 and 1.5 kg (inclusive); category II includes unmanned aircraft with empty weight of 1.5 to 4 kg (inclusive) and maximum take-off weight of 1.5 to 7 kg (inclusive); category III includes unmanned aircraft with empty weight of 4 to 15 kg (inclusive) and maximum take-off weight of 7 to 25 kg (inclusive); category IV includes unmanned aircraft with empty weight of 15 to 116 kg (inclusive) and maximum take-off weight of 25 to 150 kg (inclusive); category V includes agricultural plant protection unmanned aircraft; category VI includes unmanned airships; category VII includes category I and II unmanned aircraft operating beyond visual line of sight; category VIII includes unmanned aircraft with empty weight of 116 to 5,700 kg (inclusive) and maximum take-off weight of 150 to 5,700 kg (inclusive); category IX includes unmanned aircraft with empty weight and maximum take-off weight both exceeding 5,700 kg. The Interim Procedures apply to: (i) category IV unmanned aircraft; (ii) high-risk operation types of category III unmanned aircraft (for which the competent authority deems trial operation certification necessary); (iii) low-risk category VIII and IX unmanned aircraft (for which the competent authority deems trial operation certification feasible). Pursuant to the Interim Procedures, applicants applying for trial operation of the aforementioned applicable categories of unmanned aircraft must first submit a plan to CAAC for preliminary discussion and application; conduct a pre-trial operation safety assessment based on the Specific Operations Risk Assessment (SORA) to initially verify operational risks and ensure risks are controlled within an acceptable range; obtain review and confirmation from the CAAC Trial Operation Certification Team that the trial operation risks are effectively controlled and acceptable. CAAC recognizes the applicant’s trial operation by issuing a trial operation approval letter. The trial operation may be suspended or terminated under specific circumstances, including: the actual operation is inconsistent with the approval letter, there are uncontrollable operational risks, the applicant voluntarily abandons the trial operation, etc. Complete records of the trial operation shall be kept, including the operation manual, list of unmanned aircraft, aircraft maintenance records and personnel qualification information. At the start of the trial operation, the applicant shall have third-party insurance to ensure that all risks during the operation are covered. In addition, the Interim Procedures define “risk” as a combination of the frequency (probability) of an event and its related severity, covering ground risks and air risks.

- ***Remote Pilot License and Ratings***

Pursuant to the Interim Regulations on UAV, personnel operating small, medium and large unmanned aircraft shall apply to the competent civil aviation authority of the State Council for the corresponding unmanned aircraft remote pilot license. Personnel operating micro and light unmanned aircraft do not need to obtain a remote pilot license, but shall proficiently master the operation methods of the relevant models and understand risk warning information and relevant management systems.

CCAR-92 further clarifies the relevant requirements for remote pilot management: (i) personnel operating micro and light civil unmanned aircraft do not need to obtain an remote pilot license, but shall comply with the relevant safety operation requirements specified therein (e.g., passing the relevant theoretical training and examinations prescribed by CAAC to obtain a safety operation theoretical qualification certificate); (ii) personnel operating small, medium and large civil unmanned aircraft shall obtain and carry a valid remote pilot license when exercising the corresponding rights; (iii) operators implementing distributed operation of civil unmanned aircraft systems shall obtain the corresponding remote pilot license in accordance with CAAC's provisions.

After completing the corresponding training, CAAC shall issue the corresponding type of remote pilot license to the applicant who meets the requirements of the corresponding application category, class and type (if applicable), and endorse the corresponding category, class and type (if applicable) rating on the license. It should be noted that CAAC may allow and authorize relevant personnel to operate civil unmanned aircraft that have obtained Type Certificates and applied for operational certification within the territory of China by issuing a "Type Approval Letter for Large Civil Unmanned Aerial Vehicle Remote Pilot". In addition, the EH216-S Aircraft Evaluation Report (AER.080E—Initial Version) issued by the Aircraft Evaluation Group (AEG) of CAAC on June 15, 2024, clarifies that the Training Department of EHang may provide training for remote operators of the EH216-S unmanned aircraft system.

- ***Import and Export***

According to the Measures for the Administration on Import and Export License for Dual-use Items and Technologies, which was issued on December 31, 2025 and became effective on January 1, 2026, a license is required for the exportation of any dual-use goods, products and technologies of the PRC included in a control list issued by the Ministry of Commerce. Notably, certain types of UAVs are subject to the foregoing export license requirements, such as UAVs with (a) a maximum endurance time greater than or equal to 1 hour, (b) maximum endurance time greater than or equal to half an hour but less than 1 hour and the ability to take-off and conduct stable flight against a wind speed of no less than 46.3 kilometer/hour; (c) automatic controlling system and navigation capability containing aerosol preparation for planting with volume of 20 liters or being capable of installing aerosol preparation system for planting with volumes of 20 liters after designing and modification. We may be required to obtain the necessary license for the exportation of certain of our products. Failure to obtain required export licenses could result in penalties, restrictions on our export activities, and reputational harm.

- ***Wireless Communication***

Our UAVs and command-and-control centers have installed certain radio transmission equipment and telecommunication equipment. For radio transmission equipment, pursuant to the Regulations on the Administration of Radio in the PRC promulgated by the State Council and CMC, with effect from December 1, 2016, radio transmission equipment produced or imported for the purpose of sale and use in the PRC shall comply with laws and regulations in respect of product quality and administration of state radio, as well as other applicable national standards. Except for micro power short-distance radio transmission equipment, for any production or import of other radio transmission equipment for domestic sale and use, an application for model confirmation shall be filed with the radio regulatory authority of the state. According to Telecommunications Regulation of PRC promulgated by State Counsel on September 25, 2000, amended in July 2014 and February 2016, the government stipulates a network connection licensing system for telecommunications equipment. The telecommunications equipment accessing a public telecommunications network shall comply with the national standards, and obtain a network access certificate. We purchase certain equipment and models with Transmission Equipment Type Approval Certificate and Network Access Certificate from our supplier.

- ***Construction***

On November 1, 1997, the SCNPC promulgated the *Construction Law of PRC*, which was amended on April 22, 2011 and April 23, 2019. The Construction Law provides that construction enterprises, survey units, design units and project supervision units engaging in construction activities shall be classified under different qualification grades based on certain criteria such as their registered capital, technical professionals team, technical equipment owned and track records of completed construction projects, etc., and may engage in construction activities within the scope permitted for their qualification grade upon passing examination of qualifications and obtaining the qualification certificate for the corresponding grade. Contractor of construction projects shall also possess a qualification certificate. Construction enterprises are prohibited from contracting projects beyond the scope of business permitted for their qualification grade or in any form in the name of another construction enterprise. A construction enterprise must not allow another organization or individual to use their qualification certificate or business license to contract any form of construction projects. According to the Construction Law, Contractors contracting projects without obtaining a qualification certificate shall be clamped down and be subject to a fine; illegal income, if any, shall be confiscated.

- ***Product Liability and Tort Liability***

Pursuant to the Product Quality Law of the PRC, which was promulgated on February 22, 1993 and subsequently amended on July 8, 2000, August 27, 2009 and December 29, 2018, the production or sale of products that do not meet applicable health and safety standards and requirements is prohibited. Products must not pose unreasonable dangers to human or property. Where a defective product causes physical injury to a person or damage to property, the aggrieved party may make a claim for compensation from the producer or the seller of the product. Producers and sellers of non-compliant products may be ordered to cease production and sale of such products, subject to fines and/or revocation of business license. Non-compliant products, as well as earnings attributable to the sales of such products may also be confiscated.

In addition, pursuant to the *Tort Law of the PRC*, promulgated by the SCNPC on December 26, 2009 and taking effect since July 1, 2010, the manufacturer of defective products that cause damage shall bear tort liability. On May 28, 2020, the Third Session of the 13th National People's Congress passed the Civil Code of the People's Republic of China, which took effect on January 1, 2021 and replaced the *Tort Law of the PRC*. Where defects are discovered after the relevant products are put in circulation, the manufacturer and the seller shall promptly adopt remedial measures such as warnings and product recalls, failing which, the manufacturer and the seller will be liable for tort claims.

- ***Consumer Rights Protection***

Our business is subject to a variety of consumer protection laws, including the *PRC Consumer Rights and Interests Protection Law*, as amended on October 25, 2013, which imposes stringent obligations on business operators. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of warning, confiscation of income, imposition of fines, order to cease business operations, revocation of business licenses, as well as potential civil and criminal liabilities.

- ***Internet Information Security and Privacy Protection***

In November 2016, the SCNPC promulgated the *Cyber Security Law of the PRC*, or the Cyber Security Law, which became effective on June 1, 2017. The Cyber Security Law requires that a network operator, which includes, among others, internet information services providers, to take technical measures and/or other necessary measures in accordance with applicable laws, regulations and national and industrial standards, to ensure the safe and stable operation of its networks. We are considered an "internet information service provider" as we operate website and mobile application and providing certain internet services mainly through our mobile application. The Cyber Security Law further requires internet information service providers to formulate contingency plans for network security incidents, report to competent departments immediately upon the occurrence of any incident endangering cyber security and take corresponding remedial measures. Internet information service providers are also required to maintain the integrity, confidentiality and availability of network data. The Cyber Security 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 service 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 Cyber Security Law may subject the internet information service provider like us to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, shutdown of websites or criminal liabilities.

The recommended national standard, *Information Security Technology Personal Information Security Specification*, which became effective in October 2020, puts forward specific refinement requirements on the collection, preservation, use, sharing, transfer, and public disclosure of personal information. Although it is not mandatory, in the absence of clear implementation rules and standards for the law on cyber security and other personal information protection, it will be used as the basis for judging and making determinations. On November 28, 2019, *The Notice of Identification Method of Application Illegal Collection and Use of Personal Information* was issued, which provides a reference for the identification of illegal collection and use of personal information by mobile apps, and provides guidance for app operators' self-inspection and self-correction and netizens' social supervision.

On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated *the Data Security Law of PRC*, or Data Security Law, which took effect in September 2021. The Data Security Law sets forth data security and privacy related compliance obligations on entities and individuals carrying out data related activities. The Data Security Law also introduces a data classification and layered protection system based on the importance of data and the degree of impact on national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. In addition, the Data Security Law provides a national security review procedure for those data activities that may affect national security, and imposes export restrictions on certain data and information. According to the PRC National Security Law, the State shall establish institutions and mechanisms for national security review and regulation, and conduct national security review on certain matters that affect or may affect PRC national security, such as key technologies and IT products and services. In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies that are listed in the United States.

On July 10, 2021, the CAC released the revised draft of *Cybersecurity Review Measures (for public comments)*. On December 28, 2021, the CAC, NDRC, MIIT, the MPS, the Ministry of National Security, the MOF, the MOFCOM, the People's Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration jointly released the *Cybersecurity Review Measures*, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, network platform operators with information of over one million users shall be subject to cybersecurity review before listing abroad. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and Cyber information security risk.

On August 17, 2021, the State Council promulgated the *Regulations on the Protection of the Security of Critical Information Infrastructure*, or the CIIO Regulations, which took effect in September 2021. The CIIO Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cyber Security Law. The CIIO Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. According to the CIIO Regulations, operators of certain industries or sectors that may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage may be identified as critical information infrastructure operators by the CAC or the respective industrial regulatory authorities once they meet the identification standards promulgated by the governmental authorities.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the *Personal Information Protection Law of the PRC*, or the Personal Information Protection Law, which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's separate consent shall be obtained before operation of such individual's sensitive personal information, e.g., biometric characteristics and individual location tracking, (ii) personal information operators operating sensitive personal information shall notify individuals of the necessity of such operations and the influence on the individuals' rights, (iii) if personal information operators reject individuals' requests to exercise their rights, individuals may file a lawsuit with a People's Court.

Furthermore, on May 28, 2020, the National People's Congress of the PRC approved the PRC Civil Code, which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the collection, storage, use, process, transmission, provision and disclosure of personal information should follow the principles of legitimacy, properness and necessity.

On July 7, 2022, the CAC issued the *Measures for the Security Assessment of Outbound Data Transfer*, pursuant to which, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority for an outbound data transfer under following circumstances: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since 1 January of the previous year; and (v) other circumstances as specified by the CAC. The assessment results of the data exit are valid for two years.

In addition, on November 14, 2021, the *Administration Regulations on Cyber Data Security (Draft for Comments)* was proposed by the CAC for public comments until December 13, 2021. On September 24, 2024, PRC State Council promulgated the *Administration Regulations on Cyber Data Security*, or the Cyber Data Security Regulation, which became effective on January 1, 2025. It sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. Network data processors should in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, and on the basis of multi-level protection of cyber security, strengthen the protection of network data security, establish and perfect the system of network data security management, and take technical measures such as encryption, backup, access control and security authentication as well as other necessary measures to protect network data from being falsified, destroyed, divulged or illegally acquired or used, dispose of network data security incidents, prevent illegal and criminal activities aiming at and using network data, and assume primary responsibility for the security of the network data handled by them. Moreover, network products and services provided by a network data processor shall comply with the compulsory requirements of the relevant national standards; in the case of any risk such as security defect or bug discovered to be associated with a network product or service, the network data processor shall take remedial measures forthwith, notify users in a timely manner and report the same to the relevant competent authority in accordance with the provisions; in the case of any harm to the national security or public interest, the network data processor shall also report the same to the relevant competent authority within 24 hours. The Cyber Data Security Regulation requires the data processors that carry out network data processing activities that affect or may affect national security, shall undergo a national security review in accordance with relevant national laws and regulations. In addition, where it is impossible to avoid the collection of unnecessary personal information by using automatic collection technology or an individual's personal information without obtaining his/her consent according to the law, or an individual deregisters his/her account, the cyber data processor shall delete or anonymize the personal information.

On September 24, 2024, the State Council promulgated the *Regulation on Network Data Security Management* (the “**Cyber Data Security Regulation**”), which became effective on January 1, 2025. It sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. Network data processors should in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, and on the basis of multi-level protection of cyber security, strengthen the protection of network data security, establish and perfect the system of network data security management, and take technical measures such as encryption, backup, access control and security authentication as well as other necessary measures to protect network data from being falsified, destroyed, divulged or illegally acquired or used, dispose of network data security incidents, prevent illegal and criminal activities aiming at and using network data, and assume primary responsibility for the security of the network data handled by them. Moreover, network products and services provided by a network data processor shall comply with the compulsory requirements of the relevant national standards; in the case of any risk such as security defect or bug discovered to be associated with a network product or service, the network data processor shall take remedial measures forthwith, notify users in a timely manner and report the same to the relevant competent authority in accordance with the provisions; in the case of any harm to the national security or public interest, the network data processor shall also report the same to the relevant competent authority within 24 hours. The Cyber Data Security Regulation requires the data processors that carry out network data processing activities that affect or may affect national security, shall undergo a national security review in accordance with relevant national laws and regulations. In addition, where it is impossible to avoid the collection of unnecessary personal information by using automatic collection technology or an individual’s personal information without obtaining his/her consent according to the law, or an individual deregisters his/her account, the cyber data processor shall delete or anonymize the personal information.

On March 22, 2024, the CAC enacted the *Provisions on Promoting and Regulating Cross-Border Data Flows*, or the Cross-Border Data Flows Provisions, further regulating that a data processor’s responsibility to conduct cybersecurity review such as applying for the data export security assessment, submitting the standard contract filing, or obtaining the compliance certification can be exempted under certain circumstances, including, among others: (1) an individual’s information must be provided abroad for entering into or performing a contract which the individual is a contracting party, such as for cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa processing and examination services; (2) an employee’s information must be provided abroad for human resource management under the labor-relating rules and regulations and a collective contract signed in accordance with the law; (3) an individual’s information that must be provided abroad to protect the safety of his/her life and property under emergency circumstances; and (4) the cumulative number of the individuals’ information that a data processor (other than CHIO) transferred abroad in a year since January 1 is smaller than 100,000 individuals and no sensitive personal information is included.

However, the relationship between the Data Security Law of the PRC and the implemented National Security Law of the PRC, the Cyber Security Law of the PRC, the Confidentiality Law of the PRC and the Personal Information Protection Law of the PRC needs to be carefully clarified.

### ***Intellectual Property Rights***

- ***Patent Law***

According to the *Patent Law of the PRC* (as amended in 1992, 2000, 2008 and 2020), or the Patent Law, the State Intellectual Property Office is responsible for administering patent laws in the PRC. The provincial, autonomous region and municipal level patent administration departments are responsible for the administration of patent laws within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files patent applications with respect to the same invention, the person who files the application first will obtain the 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 *Copyright Law of the PRC*, or the Copyright Law, which took effect on June 1, 1991 and was amended in 2001, 2010 and 2020, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law also extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, the Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Center, or the CPCC. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, making apology to the copyright owners and compensating the copyright owners for his/her loss. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations. In order to further implement the Regulations on Computer Software Protection, the National Copyright Administration issued the *Measures for the Registration of Computer Software Copyright* on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Pursuant to the *Computer Software Copyright Protection Regulations* promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, software copyright owner may complete 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 by the *Trademark Law of the PRC* which was adopted on August 23, 1982 and subsequently amended in 1993, 2001, 2013 and 2019 (to take effect on November 1, 2019) as well as by the *Implementation Regulations of the PRC Trademark Law* adopted by the State Council in 2002 and as most recently amended on April 29, 2014. The Trademark Office under the State Administration for Industry and Commerce takes charge of trademark registrations. The Trademark Office grants a ten-year term to registered trademarks which 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 must be filed with the Trademark Office for its record. As with trademark registrations, the Trademark Law has adopted a first-to-file principle. 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 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.

- ***Regulations on Domain Names***

The MIIT promulgated the *Measures on Administration of Internet Domain Names*, or the Domain Name Measures, 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. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registrations follow 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 holders of such domain names upon the completion of the registration procedures.

### ***Foreign Investment***

- ***The Foreign Investment Law***

On March 15, 2019, the SCNPC approved the *Foreign Investment Law of the PRC*, which took effect on January 1, 2020 and replace three existing laws on foreign investments in China, namely, the *PRC Equity Joint Venture Law*, the *PRC Cooperative Joint Venture Law* and the *Wholly Foreign-owned Enterprise Law*, together with their implementation rules and ancillary regulations. 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.

According 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 (collectively referred to as “foreign investor”) within China, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other like rights and interests of an enterprise within China; (iii) a foreign investor, individually or collectively with other investors, invests in a new project within China; and (iv) investments in other means as provided by laws, administrative regulations, or the State Council.

According to the *Foreign Investment Law*, the State Council will publish or approve to publish a catalogue for special administrative measures, or the “negative list.” The *Foreign Investment Law* grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list”. The *Foreign Investment Law* provides that foreign invested entities operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities.

Furthermore, the *Foreign Investment Law* provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the *Foreign Investment Law*.

In addition, the *Foreign Investment Law* also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

On December 26, 2019, the State Council promulgated the *Implementation Regulations on the Foreign Investment Law*, which came into effect on January 1, 2020. It further requires that foreign-invested enterprises and domestic enterprises shall be treated equally with respect to policy making and implementation. Pursuant to the Implementation Regulations on the Foreign Investment Law, if the existing foreign-invested enterprises fail to change their original forms as of January 1, 2025, the relevant market regulation departments will not process other registration matters for these enterprises, and may disclose their relevant information to the public.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation jointly issued the *Measures for Reporting of Foreign Investment Information*, or the *Foreign Investment Information Measures*, which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation. Foreign investors or foreign-invested enterprises shall disclose their investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Foreign Investment Information Measures. If a foreign-invested enterprise investing in the PRC has finished submitting its reports for its establishment, modifications and cancellation and its annual reports, the relevant information will be shared by the competent market regulation department to the competent commercial department, and does not require such foreign-invested enterprise to submit the reports separately.

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was initially promulgated by the SCNPC on December 29, 1993 and was most recently amended on December 29, 2023. The current PRC Company Law will come into effect on July 1, 2024. The PRC Company Law generally governs two types of companies, limited liability companies and joint stock limited companies. The PRC Company Law also applies to foreign-invested companies that are also subject to the operation of other laws and regulations applicable to foreign investment.

- ***Foreign Investment Negative List***

The *Special Administrative Measures for Access of Foreign Investment (Negative List)*, the “Negative List”) was firstly issued by the NDRC and the MOFCOM on June 28, 2018, and latest amended and promulgated on September 6, 2024. The Negative List sets forth the prohibited or restricted industries or economic activities for foreign investment in China, including that the legal representative of a general aviation company shall be a Chinese citizen, general aviation companies for agriculture, forestry, or fishing shall be restricted to equity joint ventures, and the Chinese party shall have a controlling stake in a general aviation company for any other field.

## ***Foreign Exchange***

- ***General Administration of Foreign Exchange***

Under the *Regulation of the People's Republic of China on Foreign Exchange Administration* promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange, or the SAFE, and other relevant 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 the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from the SAFE or its local office.

Payments for transactions that take place within the PRC 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 the SAFE or its local office. 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 relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration *Policies for Direct Investments*, or the SAFE Circular No. 59 promulgated by the SAFE on November 19, 2012, which became effective on December 17, 2012 and was further amended on May 4, 2015, and again October 10, 2018, and December 30, 2019, approval of the SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. The SAFE Circular No. 59 also simplified foreign exchange-related registration required for foreign investors to acquire equity interests in PRC companies and further improved the administration on foreign exchange settlement for foreign-invested enterprises.

The *Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investments*, or the SAFE Circular No. 13, effective from June 1, 2015, and was amended on December 30, 2019, removes the requirement of administrative approvals for foreign exchange registration of direct domestic investments and direct overseas investments and simplifies the procedure of foreign exchange-related registration. Pursuant to the SAFE Circular No. 13, the investors shall register with banks for direct domestic investment and direct overseas investments.

The *Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange of Foreign-invested Enterprises*, or the SAFE Circular No. 19, which was promulgated by the SAFE on March 30, 2015 and became effective on June 1, 2015, provides that a 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 relevant 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 the SAFE Circular No. 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capital on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the 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. According to the *Circular of the State Administration of Foreign Exchange on Abolishing and Nullifying Five Regulatory Documents on Foreign Exchange Administration and Seven Regulatory Documents on Foreign Exchange Administration* promulgated on December 30, 2019, there are no longer restrictions on the use of foreign exchange settlement in the special overseas inflow deposit account and the special domestic inflow deposit account.

The *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts*, or the SAFE Circular No. 16, which was promulgated by the SAFE and became effective on June 9, 2016, provides that enterprises registered in the PRC may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. The SAFE Circular No. 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

According to the SAFE Circular No. 13, the *Administrative Rules on the Company Registration* that was promulgated by the State Council on June 24, 1994 and most recently amended on February 6, 2016, and other laws and regulations governing foreign invested enterprises and company registrations, the establishment of a foreign invested enterprise and any capital increases and other major changes in a foreign invested enterprise shall be registered with a designated bank at the place of its registration and the State Administration for Market Regulation, or the SAMR, or its local counterparts, and be filed via the foreign investment comprehensive administrative system, or the FICMIS, if such foreign invested enterprise does not involve special access administrative measures prescribed by the PRC government.

On December 4, 2023, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28. The SAFE Circular 28 stipulates that non-investment FIEs may use capital to carry out domestic equity investment in accordance with the law provided that such investment does not violate the Negative List and the projects invested are genuine and in compliance with laws and regulations.

- ***Loans by the Foreign Companies to their PRC Subsidiaries***

A loan made by foreign investors to a foreign invested enterprise in which it has an equity interest is considered to be foreign debt in China and is regulated by various laws and regulations, including the *Regulation of the People's Republic of China on Foreign Exchange Administration*, the *Interim Provisions on the Management of Foreign Debts*, the *Statistical Monitoring of Foreign Debts Tentative Provisions*, the *Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt*, and the *Administrative Measures for Registration of Foreign Debts*. 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 the SAFE. However, such foreign debt must be registered with and recorded by the SAFE or its local branches within fifteen business days after execution of the relevant agreement. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign invested enterprise, or Total Investment and Registered Capital Balance.

Pursuant to the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise, promulgated by SAMR on February 17, 1987 and taking effect on March 1, 1987, with respect to a Sino-foreign equity joint venture, the registered capital shall be (i) no less than 7/10 of its total investment, if the total investment is US\$3 million or under US\$3 million; (ii) no less than 1/2 of its total investment, if the total investment is ranging from US\$3 million to US\$10 million (including US\$10 million), provided that the registered capital shall not be less than US\$2.1 million if the total investment is less than US\$4.2 million; (iii) no less than 2/5 of its total investment, if the total investment is ranging from US\$10 million to US\$30 million (including US\$30 million), provided that the registered capital shall not be less than US\$5 million if the total investment is less than US\$12.5 million; and (iv) no less than 1/3 of its total investment, if the total investment exceeds US\$30 million, provided that the registered capital shall not be less than US\$12 million if the total investment is less than US\$36 million.

On January 11, 2017, the People's Bank of China, or the PBOC promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or the PBOC Notice No. 9. Pursuant to the PBOC Notice No. 9, within a transition period of one year from January 11, 2017, the foreign invested enterprises may adopt the currently valid foreign debt management mechanism, or Current Foreign Debt Mechanism, or the mechanism as provided in the PBOC Notice No. 9, or Notice No. 9 Foreign Debt Mechanism, at their own discretions. The PBOC Notice No. 9 provides that enterprises may conduct independent cross-border financing in Renminbi or foreign currencies as required. Pursuant to the PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach, or Risk-Weighted Approach, and shall not exceed the specified upper limit, namely: risk-weighted outstanding cross-border financing  $\leq$  the upper limit of risk-weighted outstanding cross-border financing. Risk-weighted outstanding cross-border financing =  $\Sigma$ outstanding amount of Renminbi and foreign currency denominated cross-border financing \* maturity risk conversion factor \* type risk conversion factor +  $\Sigma$ outstanding foreign currency denominated cross-border financing \* exchange rate risk conversion factor. Maturity risk conversion factor shall be one (1) for medium and long-term cross-border financing with a term of more than one year and 1.5 for short-term cross-border financing with a term of no less than one (1) year. Type risk conversion factor shall be one (1) for on-balance-sheet financing and one (1) for off-balance-sheet financing (contingent liabilities) for the time being. Exchange rate risk conversion factor shall be 0.5. The PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be calculated and adjustable based on the equation of upper limit of risk-weighted outstanding cross-border financing = the capital or the net assets  $\times$  the leverage rate of cross-border financing  $\times$  the macro-prudential adjustment parameter. For enterprises, the leverage rate of cross-border financing shall be 2 and the macro-prudential adjustment parameter shall be 1, which means that the upper limit of risk-weighted outstanding cross-border financing for an enterprise shall be 200% of its net assets. Enterprises shall file with the SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three (3) business days before drawing any money from the foreign debts. On March 11, 2020, the PBOC and the SAFE issued PBOC and SAFE Notice Concerning Adjustment to the Full Caliber Cross-border Finance Adjustment Parameter, pursuant to which the macro-prudential adjustment parameter has been increased from 1 to 1.25, which means that the upper limit of risk-weighted outstanding cross-border financing for an enterprise is increased to 250% of its net assets.

Based on the foregoing, if we provide funding to our wholly foreign owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with the SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the net asset limits and we will need to file the loans with the SAFE in its information system in the event that the Notice No. 9 Foreign Debt Mechanism applies. According to the PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and the SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of the PBOC Notice No. 9. It is uncertain which mechanism will be adopted by the PBOC and the SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries.

- ***Offshore Investment by PRC Residents***

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-Trip Investment via Overseas Special Purpose Vehicles and its subsequent amendments, supplements or implementation rules, or SAFE Circular 75, issued on October 21, 2005, a PRC resident (whether a natural person or a legal person) shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle, or an SPV, with assets or equity interests in a PRC company, for the purpose of overseas equity financing. On July 4, 2014, SAFE issued the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Round-trip Investments via Special Purpose Vehicles, or the SAFE Circular 37, which superseded SAFE Circular 75. According to SAFE Circular 37, the PRC domestic resident shall apply for SAFE registration for overseas investment before paying capital to SPV by using his, her or its legal assets whether overseas or domestic. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic institutions and individuals) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing". In addition, in the event that the SPV undergoes changes of its basic information such as the individual shareholder, name, operation term, etc., or material events including increase or decrease in investment amount by domestic individual shareholder, equity transfer or swap, mergers, spin-off, etc., the domestic resident shall timely complete the change of foreign exchange registration formality for offshore investment.

According to the SAFE Circular 37, failure to make such registration or truthfully disclose actual controllers of the round-trip enterprises may subject PRC residents to fines of up to RMB300,000 in case of domestic institutions or RMB50,000 in case of domestic individuals. If the registered or beneficial shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the relevant PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiary. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for violating applicable foreign exchange restrictions.

Mr. Huazhi Hu, our founder, has completed initial registration under the SAFE Circular 37 with respect to his shareholding in our company through his wholly-owned company incorporated in the British Virgin Islands. An amendment to the registration is required if there are material changes to the registrant, such as any changes to the identity of the registrant, increases or decreases in investment amount, transfers or exchanges of shares and mergers. We cannot provide any assurance that all of our shareholders who are PRC residents will file all applicable registrations or amend previously filed registrations as required by these SAFE regulations. The failure or inability of our PRC resident shareholders to comply with the registration procedures may subject the PRC resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to or obtain foreign exchange-dominated loans from our company.

- ***Dividend Distribution***

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the *PRC Company Law*, as amended in 2004, 2005, 2013, 2018 and 2023, the *Foreign Investment Law of PRC* promulgated in 2020 and the *Implementation Rules to the Foreign Investment Law* promulgated in 2020. Under the current regulatory regime in the PRC, foreign-invested enterprises may pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as statutory reserve funds of 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 shall not 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.

## **Taxation**

- ***Enterprise Income Tax***

On March 16, 2007, the SCNPC promulgated the Enterprise Income Tax Law of the PRC 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*, or collectively, the EIT Law. The EIT Law came into effect on January 1, 2008 and was amended on April 23, 2019 and December 6, 2024. Under the EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. 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 the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant 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 the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC 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. According to the EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%.

- ***Value-added Tax***

Pursuant to the *Value-added Tax Law of the People's Republic of China* promulgated by the SCNPC on December 25, 2024 and became effective on January 1, 2026, all enterprises and individuals that engage in the sale of goods, services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax (the "VAT"). The VAT tax implemented is 13%, 9%, 6%, and shall be adjusted by the State Council.

- ***Tax on Indirect Transfer***

On February 3, 2015, the SAT issued the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises*, or the SAT Circular 7. Pursuant to the SAT Circular 7, 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" of the transaction arrangement, features to be taken into consideration include, *inter alia*, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant 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 real commercial nature which is evidenced by their actual function and risk exposure. The SAT Circular 7 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 SAT issued the *Circular on Issues of Tax Withholding regarding Source of Non-PRC Resident Enterprise Income Tax*, or the SAT Circular 37, which further elaborates on the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises.

## ***Employment and Social Welfare***

- ***Labor Contract Law***

The *Labor Contract Law of the PRC*, or the Labor Contract Law, which was promulgated on June 29, 2007 and amended on December 28, 2012, is primarily aimed 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 shall be concluded in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work in excess of certain time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than the local minimum wages and must be paid to employees in a timely manner.

- ***Interim Provisions on Labor Dispatch***

Pursuant to the *Interim Provisions on Labor Dispatch* promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, dispatched workers are entitled to the same pay as the fulltime employees for the same nature of work. Employers are allowed to use dispatched workers for temporary, auxiliary or substitutive positions, and the number of dispatched workers must not exceed 10% of the total number of employees.

- ***Social Insurance and Housing Fund***

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 Pension Insurance Program for Enterprise Employees 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 *Social Insurance Law of the PRC* implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, labor 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 relevant contributions within the grace period, it may be subject to a fine ranging from one (1) to three (3) times the amount overdue.

In accordance with the *Regulations on the Management of Housing Fund* 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. An employee and his/her employer are also required to pay and deposit certain percentage of the monthly average salary of such employee as housing funds 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 Company, or the SAFE Circular 7, which was issued by the SAFE on February 15, 2012, if PRC "domestic individuals" (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding foreign diplomatic personnel and representatives of international organizations) participate in any stock incentive plan of an overseas listed company, a PRC domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, shall, among others things, file, on behalf of such individual, an application with the SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises. In addition, the SAFE Circular 37 also provides certain requirements and procedures of foreign exchange registration in relation to equity incentive plan of SPV before listing. In this regard, if a non-listed SPV grants equity incentives to its directors, supervisors, senior officers or other employees in its domestic subsidiaries, the relevant domestic individual residents may register with the SAFE before exercising their rights.

In addition, the SAT has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC 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 relevant tax authorities and to withhold individual income taxes of employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

- ***M&A Rules and Overseas Listing***

On August 8, 2006, six (6) PRC governmental and regulatory agencies, including the MOFCOM and the China Securities Regulatory Commission, or the CSRC, promulgated the *Rules on Acquisition of Domestic Enterprises by Foreign Investors*, or the M&A Rules that became effective on September 8, 2006 and was revised on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals, 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 MOFCOM for approval. The M&A Rules also require that an offshore SPV, or an SPV formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such SPV's securities on an overseas stock exchange.

On February 17, 2023, the CSRC issued rules and regulations concerning the filing management of overseas listing, which came into effect on March 31, 2023. The rules and regulations issued include the Provisional Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises, or the New Filing Rules, and five supporting guidelines. The New Filing Rules dictate that enterprises that have been listed overseas prior to March 31, 2023 constitute "Existing Issuers." Existing Issuers are required to complete filing procedure with the CSRC before they conduct refinancing activities or issue securities such as convertible bonds, exchangeable bonds and preference shares, unless such securities are issued as equity incentive awards or in connection with conversion of public reserve funds into increased company capital, share dividends or share split. Given that the New Filing Rules were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect an Existing Issuer's operations and future financing.

#### ***Environmental Protection and Work Safety***

- ***Environmental Protection***

Pursuant to the *Environmental Protection Law of the PRC* promulgated by the SCNPC, on December 26, 1989, amended on April 24, 2014 and effective on January 1, 2015, any entity which discharges or will discharge pollutants during 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.

On March 12, 2026, the National People's Congress adopted the Ecological and Environmental Code of the People's Republic of China, which will take effect on August 15, 2026, to replace the above Environment Protection Law of the PRC. The code establishes a dedicated chapter on "Pollutant Discharge Permit Management," requiring all pollutant-discharging entities to be included in permit management; it also includes specific provisions on legal liabilities for violations of pollutant discharge permit regulations, imposing stricter penalties for acts such as falsifying monitoring data. Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of applicable environmental laws. Such penalties include warnings, fines, orders to rectify within the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant 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 Civil Code of the PRC. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

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 the prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose relevant information or make an announcement, imposition of administrative action against relevant 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 Civil Code of the PRC. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

- ***Work Safety***

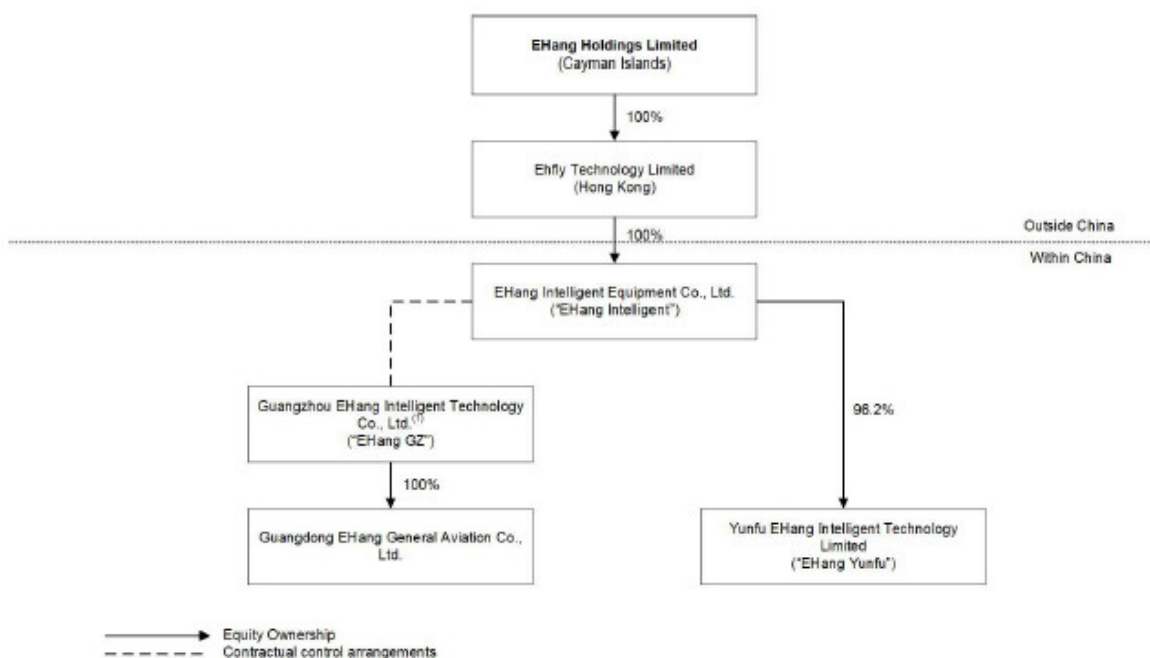
Under relevant construction safety laws and regulations, including the *Work Safety Law of the PRC* which was promulgated by the SCNPC on June 29, 2002, amended on August 27, 2009, August 31, 2014, and June 10, 2021 and effective as of September 1, 2021, production and operating business entities must 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 the employees with protective equipment that meets the national standards or industrial standards. Automobile and components manufacturers are subject to the aforementioned environment protection and work safety requirements.

- ***Fire Control***

Pursuant to the *Fire Safety Law of the PRC* promulgated by the SCNPC on April 29, 1998, amended on October 28, 2008, April 23, 2019, and April 29, 2021 and which became effective on April 29, 2021 and the *Interim Provisions for Management of Examination and Acceptance of Fire Protection Design of Construction Projects* promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, amended on August 21, 2023, and became effective on October 30, 2023, the construction entity of a large-scale crowded venue (including the construction of a manufacturing factory that 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 provide fire protection design and technical materials meeting the construction needs when it applies for construction work permits, and complete the filing for 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 shall be subject to (i) orders to suspend the construction of projects, use of such projects or operation of relevant business; and (ii) a fine ranging between RMB30,000 and RMB300,000.

### **C. Organizational Structure**

The following diagram illustrates our corporate structure as of the date of this annual report.



Notes:

- (1) Mr. Huazhi Hu and Mr. Weixian Xia hold 95.0% and 5.0% equity interests in the VIE, respectively. In September 2025, Mr. Shuai Feng transferred all of his equity interests in the VIE to Mr. Huazhi Hu.
- (2) As of December 31, 2025, the mandatorily redeemable non-controlling interests in Yunfu EHang Intelligent Technology Limited were fully repaid in June 2025 and the investor was deregistered in August 2025. Accordingly, the WFOE holds 96.2% of the equity interests in Yunfu EHang Intelligent Technology Limited as of December 31, 2025.

**Contractual Arrangements with the VIE and its Shareholders**

The following is a summary of the currently effective contractual arrangements by and among the WFOE, the VIE and the VIE’s shareholders.

**Contractual Agreements that Provide Us with Power to Direct the Activities of the VIE**

**Shareholders Voting Proxy Agreement.** Pursuant to the shareholders voting proxy agreement dated October 21, 2020 and as amended on August 18, 2025 and November 21, 2025, respectively, and the power of attorney granted thereunder, each of the VIE’s shareholders irrevocably authorizes the WFOE to act as his attorney-in-fact to exercise all of his rights as a shareholder of the VIE, including, but not limited to, the right to (i) propose, convene and preside over the shareholders’ meetings; (ii) attend shareholders’ meetings; (iii) vote on any resolution that requires a shareholder vote pursuant to applicable laws and the articles of association of the VIE, such as the sale and transfer of all or part of the equity interests owned by such shareholder; and (iv) designate and appoint legal representative, directors, supervisors, general manager and other senior management. Pursuant to the shareholders voting proxy agreement, a breach by any party of its obligations thereunder which is not remedied within a reasonable period or within ten days after written notice may give rise to liability for breach. Where the Registered Shareholders or the VIE is in breach, the WFOE is entitled to terminate the agreement and claim compensation. Where the breach is by the WFOE, the non-defaulting party may claim damages but, unless otherwise required by law, does not have the right to terminate the agreement. The shareholders voting proxy agreement will remain effective for 20 years and can be extended at the WFOE’s sole discretion. The power of attorney granted under the shareholders voting proxy agreement will remain effective continuously from the date of execution, and the WFOE is entitled to assign its rights relating to the equity interests to any other person or entity at its own discretion.

***The Special Agreement on the Capital Increase of the VIE.*** Pursuant to the special agreement on the capital increase of the VIE dated February 22, 2019 and as amended on November 21, 2025, among the WFOE, the VIE and the shareholders of the VIE, being Mr. Hu and Mr. Yifang Xiong which was amended on September 7, 2020, October 21, 2020 and August 18, 2025, respectively, the WFOE has granted interest-free loans with an aggregate amount of RMB60 million to the shareholders of the VIE for the sole purpose of providing funds necessary for the capital increase to the VIE. The loans shall be repaid by the shareholders of the VIE through a transfer of their equity interests in the VIE to the WFOE, in proportion to the amount of the loans to be repaid. As of the date of this annual report, the full amount of these loans remains outstanding.

***Share Pledge Agreements.*** Pursuant to the share pledge agreements dated October 21, 2020 and September 4, 2025 and as amended on November 21, 2025, between the WFOE and each of the shareholders of the VIE, the shareholders of the VIE have pledged their entire equity interests in the VIE to the WFOE, to guarantee the performance of their obligations under the exclusive technical consulting and services agreement, the exclusive services agreement, the shareholders voting proxy agreement and the exclusive option agreement described elsewhere in this annual report. In the event of a breach by any of the VIE's shareholders of his contractual obligations under the relevant agreements, the WFOE, as pledgee, will have the right to acquire all or part of the pledged equity interests in the VIE. The shareholders of the VIE also undertake that, without the prior written consent of the WFOE, they will not create any encumbrance on or otherwise transfer or dispose of their respective equity interests in the VIE. The share pledge agreements will remain effective until all the contractual obligations under the relevant agreement have been satisfied in full, the WFOE exercises its unilateral and unconditional right to terminate the share pledge agreements, or it is terminated as required by applicable PRC laws and regulations. As of the date of this annual report, we have registered all such share pledges with the relevant authorities in accordance with PRC regulations.

#### ***Agreement that Allows Us to Receive Economic Benefits from the VIE***

***Exclusive Technical Consulting and Services Agreements.*** Pursuant to the exclusive technical consulting and services agreement, dated January 29, 2016 and subsequently amended on November 30, 2018 and November 21, 2025, respectively, and the exclusive services agreement dated January 29, 2016 and as amended on November 21, 2025, between the WFOE and the VIE, the WFOE has the exclusive right to provide the VIE and the VIE's subsidiaries with technical consulting and services, including but not limited to those relating to the development, manufacturing and sales of intelligent aerial vehicles. Without the WFOE's prior written consent, the VIE cannot, directly or indirectly, accept any technical consulting services subject to this agreement from any third party. The VIE agrees to pay the WFOE a service fee equal to 100% of the consolidated net profits of the VIE after the VIE turns profitable on a cumulative basis and after netting off certain expenses. Our WFOE has the sole discretion in determining the service fee charged to the VIE under this agreement. Our WFOE has the exclusive ownership of all the intellectual property rights created as a result of the performance of the exclusive technical consulting and services agreement. The exclusive technical consulting and services agreement and the exclusive agreement, unless terminated earlier in accordance with their terms, have an initial term of ten years and shall be automatically renewed for successive ten-year periods without limitation on the number of renewals. Notwithstanding the foregoing, the WFOE has the exclusive and unconditional right, at its sole discretion, to terminate the agreements at any time by giving notice to VIE, while VIE does not have the right to terminate the agreements.

#### ***Agreement that Provides Us with the Option to Purchase the Equity Interests in the VIE***

***Exclusive Option Agreement.*** Pursuant to the exclusive option agreement dated October 21, 2020 and as amended on August 18, 2025 and November 21, 2025, respectively, among the WFOE, the VIE and the shareholders of the VIE, each of the shareholders of the VIE has irrevocably granted the WFOE an exclusive option to purchase all or part of his equity interests in the VIE. Our WFOE or its designated person may exercise such options at the lowest price permitted under applicable PRC laws. Any proceeds received by the shareholders of the VIE from the exercise of the options shall be remitted to the WFOE or its designated party, to the extent permitted under applicable PRC laws. The shareholders of the VIE undertake that, without the WFOE's prior written consent, they will not, among other things, (i) create any pledge or encumbrance on their equity interests in the VIE, (ii) transfer or otherwise dispose of their equity interests in the VIE, or (iii) request any distribution of profits, income or any form of profit sharing, and any such assets that have been transferred to the shareholders of the VIE (including any legal or beneficial interests in assets, business or income that have been sold, transferred, pledged or otherwise disposed of without the prior consent of the WFOE) shall be returned to the WFOE or any entity designated by the WFOE. In addition, the Registered Shareholders undertake that, upon the winding up of the VIE, all assets obtained by them shall be transferred to the WFOE or any entity designated by the WFOE at nil consideration or at the lowest price permissible under applicable PRC laws. The exclusive option agreements will remain effective until all equity interests in the VIE have been transferred to the WFOE or our designated person. The WFOE may terminate the agreement at its sole discretion.

In the opinion of Zhong Lun Law Firm, our PRC legal counsel:

- the ownership structures of the WFOE and the VIE are in compliance with applicable PRC laws and regulations currently in effect; and
- each of the contractual arrangement is valid, legal and binding on the parties thereto under applicable PRC Laws currently in effect, and each party to the contractual arrangement is entitled to assert its respective rights and is obligated to perform its respective duties in accordance with the terms and conditions of each contractual arrangement, subject to applicable PRC Laws currently in effect, except that:
  - a) the exercise of the option by the WFOE of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in the VIE is subject to the approval and consent of, and the filing and/or registration with the competent PRC governmental authorities;
  - b) any equity pledge contemplated under the Equity Pledge Agreement is subject to the registration with competent PRC governmental authorities; and
  - c) pursuant to the dispute resolution provisions of the contractual arrangement, (x) in the event of any dispute arising from the performance of or relating to the contractual arrangements, each party thereto has the right to submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration, and (y) the arbitral tribunal may award any remedies in accordance with applicable PRC laws and regulations, including temporary and permanent injunctive relief (e.g. injunctions against carrying out business activities, or mandating the transfer of assets) or order the winding up of the Domestic Company according to applicable laws, and each party thereto may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company), the PRC and the jurisdictions where the principal assets of the Domestic Company are located for interim remedies or injunctive relief. However, the above dispute resolution provisions may not be enforceable under the PRC Laws, including without limitation that the arbitral tribunal in the PRC has no power to grant such injunctive relief, nor will it be able to order the winding up of the Domestic Company pursuant to the current PRC Laws. In addition, interim remedies or enforcement orders granted by non-PRC courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

However, our PRC legal counsel has also advised us that there are certain uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules; accordingly, 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 variable interest entity structures will be adopted or if adopted, what they would provide. If we or the VIE 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 permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the contractual arrangements between the WFOE, the VIE and the VIE’s shareholders do not comply with PRC regulations relating to 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”.

#### **D. Property, plants and equipment**

Our headquarters is located in Guangzhou, China, where we lease and occupy our office space with an aggregate floor area of approximately 33,195 square meters from unrelated third parties under operating lease agreements. Our production facility in Yunfu city, China has a total planned gross floor area of 48,000 square meters. A substantial majority of our employees are based at our headquarters in Guangzhou. As of the date of this annual report, we also own an office building in Guangzhou of approximately 8,551 square meters, which is used for our research and development activities.

We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate our future growth.

#### Item 4A. Unresolved Staff Comments

Not applicable.

#### Item 5. Operating and Financial Review 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. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those we describe under “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report.

##### A. Operating Results

###### Overview

We are an advanced air mobility technology platform company. We are pioneering the future of transportation through our proprietary developed pilotless eVTOL aircraft and other UAVs, related commercial solutions and services.

We, the VIE and the VIE’s subsidiaries design, develop, manufacture, sell and operate UAVs and their supporting systems and infrastructure for a broad range of industries and applications, including passenger transportation, logistics, smart city management and aerial media solutions. We aim to make it safe and convenient for both passengers and goods to take to the air.

We delivered our first pilotless eVTOL aircraft to a customer in March 2018. Since then, we and the VIE had delivered a total of 622 units of the EH216 series products as of December 31, 2025. As we continue to refine and commercialize our products and air mobility solutions, we believe we will be able to capture addressable markets across multiple industries and develop AAM commercial applications in new industries.

Our revenues increased significantly from RMB117.4 million in 2023 to RMB456.2 million in 2024, and decreased to RMB418.0 million (US\$59.8 million) in 2025. Our net loss decreased by 23.9% from RMB302.3 million in 2023 to RMB230.0 million in 2024, and increased to RMB276.4 million (US\$39.5 million) in 2025. In 2025, revenues generated by air mobility solutions and others were RMB395.2 million (US\$56.5 million) and RMB22.8 million (US\$3.3 million), representing approximately 94.5% and 5.5% of our total revenues, respectively.

##### Key Components of Results of Operations

###### Revenues

We generate revenues from air mobility solutions and others. The following table sets forth a breakdown of our total revenues in absolute amounts and percentages of our total revenues for the periods presented:

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Revenues:							
Air mobility solutions	104,729	89.2	443,320	97.2	395,154	56,506	94.5
Others	12,697	10.8	12,832	2.8	22,827	3,264	5.5
Total	117,426	100.0	456,152	100.0	417,981	59,770	100.0

*Air mobility solutions.* Revenues from air mobility solutions are primarily product revenues from the sales of passenger-grade UAVs and its software. As the UAVs and software are highly interdependent, the entire bundle of promised goods is considered one performance obligation within the context of the contract. We recognize revenue for this single performance obligation at a point in time when control to the bundle of goods transfers to the customer and other conditions as set out in ASC 606 are met. For domestic sales, control transfers upon delivery to the customer as evidenced by the customer's acknowledgement of receipt and proof of delivery documentation. For international sales, control transfers at shipping point consistent with the terms of the sales agreements. The transaction price is the amount of consideration we expect to receive under the arrangement. When we contract with a customer and determine that it is not probable to collect substantially all of the consideration for the sales transaction at contract inception and no contract is established, any consideration received is recognized as a liability by us, subsequently recorded as revenue only when we have transferred control of the corresponding goods or services, have no obligation under the contract to transfer additional goods or services, and the consideration received is nonrefundable. We will record an asset in "Prepayments and other current assets" representing the value of the inventories recovered should the sale not happen. Service revenues from air mobility solutions are primarily provision of exhibition income which is satisfied over time.

*Others.* Revenues from others consist of revenues from smart city management solutions, aerial media solutions and others.

*- Smart city management solutions.* We enter into contracts with our customers for designing, building and delivering customized integrated command-and-control centers. The duration of the contracts depends on the contract size and ranges from three months to one year, excluding the duration of warranty accounted for as an assurance-type warranty, which ranges from one year to three years. We provide a significant service of integrating goods and services including the project design, hardware and software promised in the contract into a combined output; therefore, the goods and services in the contracts are not distinct from each other and we determine there is one performance obligation, which is the delivery of the customized integrated command-and-control center. The performance obligation is satisfied, and control is transferred to the customer over time because there is no alternative use for the highly customized and integrated command-control-center and we have an enforceable right to payment for performance completed to date. We have determined the cost-to-cost method best depicts the measure of progress towards fulfilling the performance obligation. Under this method, revenue is recognized based on the estimated extent of progress, which is determined by dividing costs incurred to date by the total amount of costs expected to be incurred for designing, building and delivering a customized integrated command-and-control center. Revisions in the estimated total costs of command-and-control center contracts are made in the period in which the circumstances requiring the revision become known. Provisions, if any, are made in the period when anticipated losses become evident on uncompleted contracts. We review and update the estimated total costs of command-and-control center contracts periodically. We account for revisions to contract revenue and estimated total costs of command-and-control center contracts, in the period in which the facts that cause the revision become known as changes in estimates. Unapproved change orders are considered claims. Claims are recognized only when they have been awarded by customers. We also provide products for smart city management solutions. Product revenues are recognized at a point in time upon customer acceptance of the products.

*- Aerial media solutions.* We generate revenue by providing aerial media performance services and related products. Aerial media performance services allow multiple smart control-based drones to demonstrate and transform their formation to display diversified messages and images in specific airspace, that is tailor made based on different branding or advertising requirements. We use self-produced and purchased drones and customize the fleet formation performances based on customer's needs and availability of airspace approval in the area. The performance is usually completed within a day and revenue is recognized when the service is delivered. While the aerial media performance services are delivered to customers over a period of time, the customer simultaneously receives and consumes the benefits of our performance as and when each service is delivered and revenue is recognized over time. We also sell hardware and software components of the aerial media performance drones. As the hardware and software components are highly interdependent, the entire bundle of promised goods is considered one performance obligation within the context of the contract. The single performance obligation is satisfied at a point in time, which is upon customer acceptance of the products.

*- Others.* We generate other revenues mainly from stand-alone sales of consumer drones and their components and spare parts. Revenues are recognized for consumer drones upon shipment which is when control of the drones is transferred to the customers. Contract modifications, defined as changes in the scope or price (or both) of a contract that are approved by the parties to the contract, such as a contract amendment, exist when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract. Contract modifications, if any, will be accounting for as one of the following: (i) a separate contract; (ii) a termination of the existing contract and a creation of a new contract; or (iii) a combination of the preceding treatments. A contract modification is accounted for as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects our standalone selling prices of the additional promised goods or services. When a contract modification is not considered a separate contract and the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, we account for the contract modification as a termination of the existing contract and a creation of a new contract. When a contract modification is not considered a separate contract and the remaining goods or services are not distinct, we account for the contract modification as an add-on to the existing contract and as an adjustment to revenue on a cumulative catch-up basis.

As we have obtained the TC, Standard AC and PC for EH216-S from the CAAC, and as the OC was granted to EH216-S operators in March 2025, we expect that our revenues will increase in China and we will continue to fulfill existing orders and pre-orders for the EH216 series products, secure new orders for our air mobility solutions, provide air mobility operational services, offer smart city management and aerial media solutions and expand our commercial solutions and sales network. We expect that the increase in revenues generated from air mobility solutions will be the main increase in both domestic and international markets. Revenues to be recognized will be subject to assessment of the collectability of considerations at inception date.

### ***Cost of revenues***

Cost of revenues consists primarily of aerial vehicles material and manufacturing costs, construction costs of smart city management solutions, depreciation, rental fees, payroll and related costs of operations.

We expect that our cost of revenues will increase in the foreseeable future as we increase our product sales volume and expand our commercial solutions business.

### ***Operating expenses***

Our total operating expenses consist of sales and marketing expenses, general and administrative expenses and research and development expenses. The following table sets forth the components of our total operating expenses by amounts and percentages of operating expenses for the periods presented:

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Sales and marketing expenses	60,389	16.0	131,027	23.2	122,020	17,449	20.8
General and administrative expenses	150,092	39.7	233,398	41.4	269,648	38,559	46.0
Research and development expenses	167,315	44.3	199,465	35.4	194,581	27,825	33.2
Total operating expenses	377,796	100.0	563,890	100.0	586,249	83,833	100.0

*Sales and marketing expenses.* Our sales and marketing expenses primarily consist of advertising and promotion expenses, payroll and related expenses for personnel in sales and marketing.

*General and administrative expenses.* Our general and administrative expenses mainly consist of payroll and related costs for employees in general corporate functions, professional fees, allowance for doubtful account expenses or expected credit losses provision, and other general corporate expenses, as well as expenses associated with the use by these functions of facilities and equipment, such as depreciation and rental expenses.

*Research and development expenses.* Our research and development expenses mainly consist of payroll and benefits for our research and development personnel, as well as expenses associated with our research and development activities.

### ***Other operating income***

Other operating income mainly consists of financial subsidies that we received from provincial and local governments for operating our business in their jurisdictions in compliance with certain promoted policies.

## **Taxation**

### ***Cayman Islands***

We are an exempted company incorporated in the 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 after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

### ***Hong Kong***

Our wholly-owned subsidiary, Ehfly Technology Limited, or Ehfly Technology, incorporated in Hong Kong, is subject to Hong Kong profit tax on its profits arising from its business operations carried on in Hong Kong. Hong Kong profits tax for a corporation from the year of assessment 2018/2019 onwards is generally 8.25% on assessable profits up to HK\$2.0 million; and 16.5% on any part of assessable profits over HK\$2.0 million. Under the Hong Kong Inland Revenue Ordinance, profits that we derive from sources outside of Hong Kong are not generally chargeable to Hong Kong profits tax. As such, Ehfly Technology is exempted from the Hong Kong income tax on its foreign-derived income. In addition, payments of dividends from Ehfly Technology to our company are not subject to any withholding tax in Hong Kong.

### ***PRC***

Under the Enterprise Income Tax Law, or the EIT Law, our PRC subsidiaries, the VIE and the VIE's subsidiaries are subject to a statutory income tax rate of 25%. The WFOE and the VIE have each been qualified as a high and new technology enterprise, or HNTE, and are eligible for a 15% preferential tax rate, from 2023 to 2025, and from 2025 to 2027, respectively.

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise, or FIE, to its immediate holding company outside China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the Arrangement Between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5%, if the immediate holding company owns at least 25% of the equity interest of the FIE and satisfies all other requirements under the tax arrangement and receives approval from the relevant tax authority. We did not record any dividend withholding tax, as our PRC entities have no retained earnings in the periods presented. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may not be able to obtain certain benefits under the relevant tax treaty on dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiary."

Under the EIT Law, research and development expenses that have not formed intangible assets are included in the profit and loss account for the current year. Besides deducting the actual amount of research and development expenses incurred, according to Announcement of the Ministry of Finance and the State Taxation Administration [2021] No.13 ("Circular 13"), manufacturing enterprise with qualified research and development expenses could enjoy research and development Super Deduction, i.e. to claim additional 100% research and development expenses on top of those actually incurred. Subsequently, pursuant to Announcement of the Ministry of Finance and the State Taxation Administration 2023 No. 7, effective from January 1, 2023, all eligible enterprises are entitled to claim an additional 100% deduction for qualified research and development expenses.

Dividends, interests, rent or royalties payable by our PRC subsidiaries, to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets) shall be subject to 10% withholding tax, unless the respective non-PRC resident enterprise's jurisdiction of incorporation has a tax treaty or arrangements with PRC that provides for a reduced withholding tax rate or an exemption from withholding tax.

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods presented, both in absolute amounts and as percentages of our total revenues, 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 particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Total revenues	117,426	100.0	456,152	100.0	417,981	59,770	100.0
Cost of revenues <sup>(1)</sup>	(42,115)	(35.9)	(176,206)	(38.6)	(160,827)	(22,998)	(38.5)
Gross profit	75,311	64.1	279,946	61.4	257,154	36,772	61.5
Operating expenses:							
Sales and marketing expenses <sup>(1)</sup>	(60,389)	(51.4)	(131,027)	(28.7)	(122,020)	(17,449)	(29.2)
General and administrative expenses <sup>(1)</sup>	(150,092)	(127.8)	(233,398)	(51.2)	(269,648)	(38,559)	(64.5)
Research and development expenses <sup>(1)</sup>	(167,315)	(142.5)	(199,465)	(43.7)	(194,581)	(27,825)	(46.6)
Total operating expenses	(377,796)	(321.7)	(563,890)	(123.6)	(586,249)	(83,833)	(140.3)
Other operating income	6,233	5.3	29,869	6.5	12,383	1,771	3.0
Operating loss	(296,252)	(252.3)	(254,075)	(55.7)	(316,712)	(45,290)	(75.8)
Other (expenses) income:							
Interest and investment income	8,484	7.2	30,599	6.7	58,588	8,378	14.0
Interest expenses	(2,930)	(2.5)	(3,375)	(0.7)	(5,976)	(855)	(1.4)
Amortization of debt discounts	(12,023)	(10.2)	—	—	—	—	—
Foreign currency exchange (losses) gains, net	394	0.3	(1,188)	(0.3)	1,174	168	0.3
Other non-operating income	1,966	1.7	4,670	1.0	2,810	402	0.7
Other non-operating expenses	(214)	(0.2)	(1,924)	(0.4)	(15,456)	(2,210)	(3.7)
Total other (expenses) income	(4,323)	(3.7)	28,782	6.3	41,140	5,883	9.9
Loss before income tax and (loss) from equity method investment	(300,575)	(256.0)	(225,293)	(49.4)	(275,572)	(39,407)	(65.9)
Income tax (expenses) benefit	(206)	(0.2)	(386)	(0.1)	4,409	630	1.1
Loss before (loss) from equity method investment	(300,781)	(256.1)	(225,679)	(49.5)	(271,163)	(38,777)	(64.8)
Income (loss) from equity method investment	(1,560)	(1.3)	(4,353)	(1.0)	(5,248)	(750)	(1.3)
Net loss	(302,341)	(257.5)	(230,032)	(50.4)	(276,411)	(39,527)	(66.1)

Note:

(1) Share-based compensation expense was allocated in operating expenses as follows:

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands, except share and share related data)			
Cost of revenues	—	—	416	59
Sales and marketing expenses	18,958	65,597	45,537	6,512
General and administrative expenses	79,327	134,984	154,838	22,142
Research and development expenses	53,200	72,543	45,367	6,487
<b>Total</b>	<b>151,485</b>	<b>273,124</b>	<b>246,158</b>	<b>35,200</b>

## **Year ended December 31, 2025 compared with year ended December 31, 2024**

### ***Revenues***

Our total revenues decreased by 8.4% from RMB456.2 million in 2024 to RMB418.0 million (US\$59.8 million) in 2025, primarily due to the decrease in the sales volume of eVTOL aircraft.

Revenues from air mobility solutions decreased from RMB443.3 million in 2024 to RMB395.2 million (US\$56.5 million) in 2025. We sold 169 units of the EH216 series products and six units of VT35 in 2025, compared with 216 units in 2024.

Revenues from others increased from RMB12.9 million in 2024 to RMB22.8 million (US\$3.3 million) in 2025, primarily driven by growth in smart city management solutions and aerial media solutions.

### ***Cost of revenues***

Our cost of revenues decreased by 8.7% from RMB176.2 million in 2024 to RMB160.8 million (US\$23.0 million) in 2025, which was broadly in line with the decrease in the sales volume of EH216 series products.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit decreased from RMB279.9 million in 2024 to RMB257.2 million (US\$36.8 million) in 2025. Our gross profit margin remained relatively stable at 61.4% in 2024 and 61.5% in 2025.

### ***Operating expenses***

Our operating expenses increased by 4.0% from RMB563.9 million in 2024 to RMB586.2 million (US\$83.8 million) in 2025.

*Sales and marketing expenses* decreased from RMB131.0 million in 2024 to RMB122.0 million (US\$17.4 million) in 2025, mainly attributed to lower share-based compensation expenses due to modification and accelerated vesting of outstanding share-based awards in 2024, partially offset by increased sales-related compensation driven by workforce expansion for sales and service network.

*General and administrative expenses.* General and administrative expenses increased from RMB233.4 million in 2024 to RMB269.6 million (US\$38.6 million) in 2025, primarily due to increased employee compensation driven by workforce expansion and higher share-based compensation expenses due to new grant of share-based awards in 2025, and increased lease expenses due to the expansion of our office space.

*Research and development expenses* decreased slightly from RMB199.5 million in 2024 to RMB194.6 million (US\$27.8 million) in 2025, mainly attributed to lower share-based compensation expenses due to accelerated vesting of outstanding share-based awards in 2024, partially offset by increased employee compensation driven by workforce expansion to further accelerate the research and development progress of different models of eVTOL aircraft in support of the Company's future growth.

### ***Other operating income***

Other operating income decreased from RMB29.9 million in 2024 to RMB12.4 million (US\$1.8 million) in 2025, primarily due to a decrease in government subsidies recognized in the period. For the year ended December 31, 2025, government grants recognized upon receipt immediately in profit or loss amounted to RMB10.4 million (US\$1.5 million), and other operating income of RMB2.0 million (US\$0.3 million) was recognized from deferred government subsidies when the conditions were met.

### ***Interest and investment income***

We recorded interest and investment income of RMB58.6 million (US\$8.4 million) in 2025 and RMB30.6 million in 2024, both of which consisted primarily of interest earned from our cash and cash equivalents, short-term investments and fair value gains on short-term investments and other investments. The significant increase in 2025 was primarily driven by higher average balances of short-term investments and fair value gains on equity investments.

### ***Interest expenses***

We recorded interest expenses of RMB6.0 million (US\$0.9 million) in 2025 and RMB3.4 million in 2024, both of which were primarily related to bank loans. The increase in 2025 reflects higher average bank loan balances during the year.

### ***Other non-operating income***

Other non-operating income was RMB2.8 million (US\$0.4 million) in 2025 and RMB4.7 million in 2024.

### ***Other non-operating expenses***

Other non-operating expenses were RMB15.5 million (US\$2.2 million) in 2025 and RMB1.9 million in 2024. The significant increase in 2025 was primarily attributable to the settlement of the securities class action lawsuit (*Pujo v. EHang Holdings Limited*) for US\$1,985 thousand (equivalent to RMB14,254 thousand), which was recorded as a loss from shareholder securities litigation. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings.”

### ***Income tax (expenses) benefits***

Our income tax expenses were RMB0.4 million in 2024 and income tax benefits were RMB4.4 million (US\$0.6 million) in 2025. We did not have significant income tax expenses because most of our subsidiaries and consolidated affiliated entities were loss making in 2024 and 2025. Our income tax benefits were due to one of our subsidiaries recognized deferred tax assets in 2025.

### ***Net loss***

As a result of the foregoing, our net loss increased by 20.2% from RMB230.0 million in 2024 to RMB276.4 million (US\$39.5 million) in 2025. Net loss attributable to EHang Holdings Limited’s ordinary shareholders was RMB276.0 million (US\$39.5 million) in 2025, compared with RMB229.8 million in 2024.

## **Year ended December 31, 2024 compared with year ended December 31, 2023**

### ***Revenues***

Our total revenues increased significantly from RMB117.4 million in 2023 to RMB456.2 million in 2024, primarily due to the increase in the sales volume of EH216 series products.

Revenues from air mobility solutions increased significantly from RMB104.7 million in 2023 to RMB443.3 million in 2024. We sold 216 units of the EH216 series products in 2024, compared with 52 units in 2023.

Revenues from others remained stable at RMB12.9 million in 2024, as compared to RMB12.7 million in 2023.

### ***Cost of revenues***

Our cost of revenues increased significantly from RMB42.1 million in 2023 to RMB176.2 million in 2024, which was in line with the increase in the sales volume of EH216 series products.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit increased significantly from RMB75.3 million in 2023 to RMB279.9 million in 2024. However, our gross profit margin decreased from 64.1% in 2023 to 61.4% in 2024 primarily due to changes in revenue mix and increased cost per unit of the airworthiness certified EH216-S product.

### ***Operating expenses***

Our operating expenses increased by 49.3% from RMB377.8 million in 2023 to RMB563.9 million in 2024.

**Sales and marketing expenses.** Sales and marketing expenses increased significantly from RMB60.4 million in 2023 to RMB131.0 million in 2024, primarily due to increased sales-related compensation and associated share-based compensation expenses due to new grant and modification of share-based awards, as well as increased expansion of sales channels.

**General and administrative expenses.** General and administrative expenses increased from RMB150.1 million in 2023 to RMB233.4 million in 2024, primarily due to headcount expansion, increased employee compensation and related share-based compensation expenses resulting from new grants of share-based awards, and increased professional fees due to more professional services acquired from third parties for operational needs.

**Research and development expenses.** Research and development expenses increased from RMB167.3 million in 2023 to RMB199.5 million in 2024, primarily due to incremental expenditures on different models of eVTOL aircraft, headcount expansion, increased employee compensation and related share-based compensation expenses due to new grants of share-based awards.

### ***Other operating income***

Other operating income increased significantly from RMB6.2 million in 2023 to RMB29.9 million in 2024, primarily due to the increase of government subsidies.

### ***Interest and investment income***

We recorded interest and investment income of RMB30.6 million in 2024 and RMB8.5 million in 2023, both of which consisted primarily of interest earned from our cash and cash equivalents, short-term deposits, restricted short-term deposits and short-term investments.

### ***Interest expenses***

We recorded interest expenses of RMB3.4 million in 2024 and RMB2.9 million in 2023, both of which were primarily related to bank loans and loans from third parties.

### ***Amortization of debt discounts***

We recognized amortization of debt discounts of RMB12.0 million in 2023, which were related to the private placement transaction completed in 2023. There were no such debt discounts in 2024.

### ***Other non-operating income***

Other non-operating income was RMB4.7 million in 2024 and RMB2.0 million in 2023.

### ***Other non-operating expenses***

Other non-operating expenses were RMB1.9 million in 2024 and RMB0.2 million in 2023.

### *Income tax expenses*

Our income tax expenses increased from RMB0.2 million in 2023 to RMB0.4 million in 2024. We did not have significant income tax expenses because most of our subsidiaries and consolidated affiliated entities were loss making in 2023 and 2024.

### *Net loss*

As a result of the foregoing, our net loss decreased by 23.9% from RMB302.3 million in 2023 to RMB230.0 million in 2024.

## **B. Liquidity and Capital Resources**

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of operations. We have experienced recurring losses from operations since inception. As of December 31, 2024 and 2025, we had an accumulated deficit of RMB1,984.9 million and RMB2,262.4 million (US\$323.5 million) respectively. For the years ended December 31, 2023, 2024 and 2025, we incurred net loss of RMB302.3 million, RMB230.0 million and RMB276.4 million (US\$39.5 million) respectively. We had net cash used in operating activities of RMB88.4 million and RMB179.5 million (US\$25.7 million) for the years ended December 31, 2023 and 2025, respectively, and net cash generated from operating activities of RMB158.0 million for the year ended December 31, 2024.

As of December 31, 2025, our cash and cash equivalents, short-term investments and restricted short-term deposits were RMB256.4 million (US\$36.7 million), RMB843.2 million (US\$120.6 million) and RMB29.7 million (US\$4.2 million), respectively. Our ability to continue as a going concern is largely dependent on successful execution of our business plan to scale up commercial sales of EH216-S and our ability to raise additional funds when needed. Our primary sources of liquidity have been proceeds from issuance of equity securities offerings, including private placements, as well as customer advances, short-term and long-term bank loans. For example, we had raised a total of US\$95.6 million from the sale and issuance of our Class A ordinary shares in private placements as of the date of this annual report, including US\$40 million in 2021, US\$33 million in 2023, and US\$22.6 million in 2024. In addition, we raised a total of US\$76.2 million and US\$23.8 million through our ATM Program in 2024 and 2025, respectively. As of December 31, 2025, we had RMB1,129.3 million (US\$161.5 million) in cash and cash equivalents, short-term investments and restricted short-term deposits, of which 9.6% were held in Renminbi and the remainder was held in U.S. dollars and other currencies, and of which 24.2% were held in the PRC. Our cash and cash equivalents consist primarily of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less.

Following the milestone achievement in obtaining the world's first human-carrying unmanned aerial vehicle system certification for EH216-S, and the granting of OC to EH216-S operators in March 2025, the Company's management is implementing business plans to scale up the commercial sales and operations of EH216-S through building a replicable and promotable business model to further expand the Company's partnership network and enrich the commercial scenarios of EH216-S.

We believe that our balances of cash and cash equivalents, short-term investments and restricted short-term deposits as of December 31, 2025 will be sufficient to meet our sustainable operations and material cash requirements for at least the next 12 months after the date of this annual report. However, we may need additional cash resources in the future if we experience changes in business conditions or other developments, or if we pursue opportunities for investment, acquisition, capital expenditure or similar actions. If we determine that our cash requirements exceed the amount of cash we have on hand, we may seek to issue equity or equity linked securities or obtain debt financing. The issuance and sale of additional equity would result in further dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in 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. In utilizing the proceeds, we received from our securities offerings including our initial public offering and private placements, we may make additional capital contributions to our PRC subsidiaries, establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, make loans to our PRC subsidiaries, or acquire offshore entities with operations in China in offshore transactions. However, most of these uses are subject to PRC regulations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offshore offerings to make loans to or make additional capital contributions to our PRC subsidiaries, the VIE and the VIE's subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business," and "Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds—Use of Proceeds."

A majority of our revenues have been, and we expect they are likely to continue to be, in the form of Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Therefore, our PRC subsidiaries are allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Our PRC subsidiaries are required to set aside at least 10% of their after-tax profits after making up previous years' accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Historically, our PRC subsidiaries have not paid dividends to us, and it will not be able to pay dividends until it generates accumulated profits. Furthermore, capital account transactions, which include foreign direct investment and loans, must be approved by and/or registered with SAFE, its local branches and certain local banks.

As a Cayman Islands exempted company and offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, subject to the approval of government authorities and limits on the amount of capital contributions and loans. This may delay us from using the proceeds from our securities offerings to make loans or capital contributions to our PRC subsidiaries. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of our offshore offerings to make loans to or make additional capital contributions to our PRC subsidiaries, the VIE and the VIE's subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

The following table sets forth a summary of our cash flows for the periods presented:

	<b>For the Year Ended December 31,</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>	
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
	<b>(in thousands)</b>			
Net cash (used in) generated from operating activities	(88,410)	157,959	(179,506)	(25,668)
Net cash used in investing activities	(128,692)	(482,508)	(507,145)	(72,521)
Net cash provided by financing activities	195,480	701,357	337,431	48,252
Effect of exchange rate changes on cash, cash equivalents	562	5,819	(5,257)	(752)
Net (decrease) increase in cash, cash equivalents and restricted cash	(21,060)	382,627	(354,477)	(50,689)
Cash, cash equivalents and restricted cash at the beginning of the year	249,310	228,250	610,877	87,354
Cash and cash equivalents at the end of the year	228,250	610,877	256,400	36,665

## Operating Activities

Net cash used in operating activities in 2025 was RMB179.5 million (US\$25.7 million). This amount was primarily attributable to net loss of RMB276.4 million (US\$39.5 million), adjusted to add back certain non-cash expenses, principally share-based compensation of RMB246.2 million (US\$35.2 million), current expected credit losses of RMB7.9 million (US\$1.1 million), depreciation of property and equipment of RMB19.0 million (US\$2.7 million) and amortization of right-of-use assets of RMB10.1 million (US\$1.4 million), and further adjusted downwards due to changes in operating assets and liabilities. The changes in operating assets and liabilities primarily included an increase of RMB61.4 million (US\$8.8 million) in accounts receivable as a result of deliberate business strategy to grant longer credit terms to certain customers in an effort to strengthen long-term strategic partnerships, an increase of RMB101.6 million (US\$14.5 million) in prepayments and other assets, and an increase of RMB35.7 million (US\$5.1 million) in inventories, partially offset by an increase of RMB61.6 million (US\$8.8 million) in accrued expenses and other liabilities.

Net cash generated from operating activities in 2024 was RMB158.0 million. This amount was primarily attributable to net loss of RMB230.0 million, adjusted to add back certain non-cash expenses, principally share-based compensation of RMB273.1 million, current expected credit losses of RMB12.8 million, depreciation of property and equipment of RMB12.8 million and amortization of right-of-use assets of RMB6.1 million, and further adjusted upwards due to changes in operating assets and liabilities. The changes in operating assets and liabilities primarily included an increase of RMB92.3 million in accounts payable in relation to procurement of materials for production, an increase of RMB57.6 million in accrued expenses and other liabilities in relation to payrolls and tax payables, an increase of RMB30.1 million in accounts receivable in relation to receivables that we are entitled to receive primarily due to the increase in the sales volume, and an increase of RMB29.5 million in prepayments and other assets in relation to deductible value-added tax input and acquisition of inventories.

Net cash used in operating activities in 2023 was RMB88.4 million. This amount was primarily attributable to net loss of RMB302.3 million, adjusted to add back certain non-cash expenses, principally share-based compensation of RMB151.5 million, current expected credit losses of RMB13.7 million, depreciation of property and equipment of RMB12.4 million and amortization of right-of-use assets of RMB8.1 million, and further adjusted upwards due to changes in operating assets and liabilities. The changes in operating assets and liabilities primarily included an increase of RMB20.5 million in accounts receivable in relation to the receivables that we are entitled to receive and a decrease of RMB3.7 million in lease liabilities in relation to lease payments for office and production facilities and offset mainly by an increase of RMB17.8 million in contract liabilities in relation to more payments received before the sale of products or services to customers, a decrease of RMB10.7 million in prepayments and other current assets in relation to consideration received for vested share-based awards under share incentive plan, and a decrease of RMB7.8 million in inventories in relation to procurement of materials for production and finished goods.

## Investing Activities

Net cash used in investing activities in 2025 was RMB507.1 million (US\$72.5 million), mainly consisting of purchase of short-term investments of RMB729.2 million (US\$104.3 million), purchase of property and equipment of RMB147.9 million (US\$21.2 million) and purchases of land use rights of RMB11.4 million (US\$1.6 million), partially offset by redemption of short-term investments of RMB418.7 million (US\$59.9 million).

Net cash used in investing activities in 2024 was RMB482.5 million, mainly consisting of purchase of short-term investments of RMB885.7 million and payments for short-term deposits of RMB130.1 million, partially offset by redemption of short-term investments of RMB444.8 million and proceeds received from maturity of short-term deposits of RMB143.8 million.

Net cash used in investing activities in 2023 was RMB128.7 million, mainly consisting of purchase of short-term investments of RMB56.7 million, purchase of restricted short-term deposits of RMB33.4 million and purchase of short-term deposits of RMB14.2 million.

## Financing Activities

Net cash provided by financing activities in 2025 was RMB337.4 million (US\$48.3 million), primarily attributable to RMB249.1 million (US\$35.6 million) from proceeds from short-term bank loans, RMB75.0 million (US\$10.7 million) from proceeds from long-term bank loans, and RMB166.8 million (US\$23.9 million) from issuance of Class A ordinary shares under the ATM Program, partially offset by repayment of mandatorily redeemable non-controlling interests of RMB40.0 million (US\$5.7 million) and repayment of short-term bank loans of RMB83.8 million (US\$12.0 million).

Net cash provided by financing activities in 2024 was RMB701.4 million, primarily attributable to RMB698.1 million from issuance of Class A ordinary shares under the ATM Program and certain private placement transactions.

Net cash provided by financing activities in 2023 was RMB195.5 million, primarily attributable to RMB250.2 million from issuance of Class A ordinary shares, including to several strategic investors in connection with a US\$23.0 million private placement which had closed in the third quarter of 2023, and net proceeds of RMB19.3 million from short-term bank loans.

## Capital Expenditures

Our capital expenditures were RMB9.1 million, RMB40.1 million and RMB160.4 million (US\$22.9 million) in 2023, 2024 and 2025, respectively, which were mainly used for the purchase of property and equipment for the establishment and installation of equipment at our manufacturing facility in Yunfu, construction of our new office building in Guangzhou, improvements for other office buildings and obtaining a land use right. We plan to fund our future capital expenditures with our existing cash balance.

## Material Cash Requirements

Our material cash requirements as of December 31, 2025 and any subsequent interim period primarily include operating lease commitments, short-term bank loans, long-term bank loans, capital commitment for property, plant and equipment, and investment obligations.

Our operating lease commitments primarily represent our non-cancelable lease of offices and facilities for business operation. We lease offices under non-cancelable operating lease arrangements with initial terms in excess of one year.

We intend to fund our existing and future material cash requirements primarily with our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

The following table sets forth our contractual obligations as of December 31, 2025:

	Payment Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating lease commitments	172,977	16,576	28,712	24,626	103,063
Short-term bank loans <sup>(1)</sup>	232,667	232,667	—	—	—
Long-term bank loans <sup>(1)</sup>	100,226	12,303	66,421	7,692	13,810
Capital commitment for property, plant and equipment	30,064	30,064	—	—	—
Investment obligations	29,880	20,880	—	9,000	—
Total	565,814	312,490	95,133	41,318	116,873

Note:

- (1) The short-term bank loans and long-term bank loans are presented with the principle and estimated interest calculated based on the contractual interest rate.

As disclosed in our consolidated financial statements included elsewhere in this annual report, we had unrecognized tax benefits. The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of statutes of limitation. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties.

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

### **Off-Balance Sheet Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts 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.

### **Holding Company Structure**

We are a holding company with no material operations on our own. We conduct our operations primarily through the WFOE, the VIE and their respective subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by the WFOE. If the WFOE or any newly formed PRC subsidiaries 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 subsidiary in China is permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of the WFOE, the VIE and their respective subsidiaries in China is required to set aside at least 10% of its after-tax profits each year, if any, to contribute to certain statutory reserve funds until the cumulative amount of such reserve funds reaches 50% of its registered capital. As of December 31, 2025, the total registered capital of the WFOE, the VIE and their respective subsidiaries in China amounted to RMB1,858.9 million (US\$265.8 million), implying a maximum total amount of RMB929.4 million (US\$132.9 million) in statutory reserve funds to be set aside from their after-tax profits, if any. Our WFOE, the VIE and their respective subsidiaries in China had set aside a cumulative amount of RMB3.3 million (US\$0.5 million) for such statutory reserve funds as of December 31, 2025. We believe that setting aside such additional amount will not have a material adverse impact on our business or liquidity because (i) a company is not required to set aside any amount for its statutory reserve fund until it has positive after-tax profits; (ii) the amount to be set aside annually is only 10% of a company's after-tax profits, if any, and (iii) pursuant to the PRC Company Law, the statutory reserve funds can be used for offsetting a company's losses, expanding its business operations and increasing its capital. In addition, our wholly foreign-owned subsidiary 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 the VIE may allocate a portion of its after-tax profits based on PRC accounting standards to a 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 WFOE has not paid dividends and will not be able to pay dividends until it generates accumulated profits and meets the requirements for statutory reserve funds.

### **Inflation**

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index were a decrease of 0.3% for December 2023 and an increase of 0.1% for December 2024 and remained stable for December 2025. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in mainland China. For example, certain operating costs and expenses, such as employee compensation and office operating expenses may increase as a result of higher inflation. We are not able to hedge our exposure to higher inflation in mainland China.

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

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

### **D. Trend Information**

Other than as described elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our revenue, income from continuing operations, profitability, liquidity or capital resources, or that would cause our reported financial information not necessarily to be indicative of future operating results or financial condition.

### **E. Critical Accounting Estimates**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Changes in the economic environment, financial markets, and any other parameters used in determining such estimates could cause actual results to differ. Our critical accounting estimates are described below. The critical accounting estimates should be read in conjunction with our risk factors as disclosed in “Item 3. Key Information—D. Risk Factors.” See Note 2 to our consolidated financial statements for the year ended December 31, 2025 for more information on our critical accounting policies.

#### **Current expected credit loss**

Our cash and cash equivalents, restricted short-term deposits, accounts receivable, loans receivable, other receivables and other non-current assets are within the scope of ASC Topic 326. We have identified the relevant risk characteristics of our customers and the related receivables which include the products we provide, the type of business, the scale of transactions on credit terms, the nature of counterparties and the level of credit risk of the customers, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, we consider the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include payment terms offered in the normal course of business to customers and industry-specific factors that could impact our receivables. Additionally, external data and macroeconomic factors are also considered. When facts and circumstances indicate that the receivable no longer shares similar risk characteristics, the Group evaluates the receivables for expected credit losses on an individual basis with expected future cash flow. This is assessed at each quarter based on our specific facts and circumstances. For the year ended December 31, 2025, we recorded RMB7,938 thousand (US\$1,135 thousand) of expected credit loss in general and administrative expenses.

We apply management’s judgments and estimates when determining the expected credit loss to be recognized. We reassess the allowance at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such differences will impact the expected credit loss and the carrying values of the accounts receivable in the year. As of December 31, 2024 and 2025, we assessed the ending balance of expected credit losses provision to be RMB110,422 thousand and RMB118,508 thousand (US\$16,946 thousand), respectively. Changes in these estimates and assumptions could materially affect the allowance losses.

#### **Valuation allowance for deferred tax assets**

We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. Significant judgment is required in determining the valuation allowance. In assessing the need for a valuation allowance, we consider all sources of taxable income, including projected future taxable income, reversing taxable temporary differences and ongoing tax planning strategies. If it is determined that we are able to realize deferred tax assets in excess of the net carrying value or to the extent we are unable to realize a deferred tax asset, we would adjust the valuation allowance in the period in which such a determination is made, with a corresponding increase or decrease to earnings.

## Item 6. Directors, Senior Management and Employees

### A. Directors and senior management

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Huazhi Hu	49	Chairman and Chief Executive Officer
Haoliang Hou	37	Independent Director
Conor Chia-hung Yang	63	Director and Chief Financial Officer
Dongming Wu	62	Independent Director
Nick Ning Yang	50	Independent Director
Wing Kee Lau	61	Independent Director
Zhao Wang	48	Chief Operating Officer
Haiyan Li	50	Director
Shuai Feng	35	Chief Technology Officer

*Mr. Huazhi Hu* is our founder and has served as our chief executive officer and the chairman of the board of directors since our inception. Mr. Hu founded our predecessor company, Beijing Yihang Chuangshi Technology Co., Ltd. in 2005, a leader in providing large-scale command-and-control systems. Mr. Hu also worked as the chief technology officer at Beijing 999 Emergency Rescue Center in charge of the development of the emergency command & control center between 2008 and 2010, and worked at Beijing Jindian Group as a vice president overseeing information management between 2006 and 2008. Mr. Hu is a recipient of the Technology Innovation Award presented at the Living Legends of Aviation event in 2019. Mr. Hu attended Tsinghua University where he studied computer science between 1992 and 1997.

*Mr. Haoliang Hou* has served as our director since August 2015. Mr. Hou has been the founder and the chief investment officer of Houxue Capital since July 2022. He has served as the managing partner and investment committee head of GP Venture Capital, senior partner and investment committee member of GP Hi-Tech Capital, and vice president of investments at GP Xincheng Capital from April 2015 to June 2022. Mr. Hou was named on the list of “Forbes China Top 100 Venture Capitalists” from 2023 to 2025. Mr. Hou received his dual bachelor’s degree in electrical engineering and international finance and his master’s degree in business administration from Shanghai Jiao Tong University in 2011 and 2015, respectively. Mr. Hou is also a CFA charterholder.

*Mr. Conor Chia-hung Yang* has served as our director since December 2019 and as our chief financial officer since September 2023. From 2007 to 2023, Mr. Yang served in several chief financial officer positions, including at Tuniu Corporation (Nasdaq: TOUR), E-Commerce China Dangdang Inc., and AirMedia Group Inc. Mr. Yang was the chief executive officer of Rock Mobile Corporation from 2004 to 2007, and the chief financial officer of the Asia Pacific region for CellStar Asia Corporation from 1999 to 2004. Prior to that, Mr. Yang was a senior banker at Goldman Sachs (Asia) L.L.C., Lehman Brothers Asia Limited and Morgan Stanley Asia Limited from 1992 to 1999. Mr. Yang currently also serves as an independent director of NovaBridge Biosciences (Nasdaq: NBP), iQIYI, Inc. (Nasdaq: IQ), Tongcheng Travel Holdings Limited (HKSE: 0780) and UP Fintech Holding Ltd (Nasdaq: TIGR). Mr. Yang received his master’s degree in business administration from the University of California, Los Angeles (UCLA).

*Mr. Dongming Wu* has served as our director since June 2020. Mr. Wu has served as a Managing Director of DHL-Sinotrans since May 2003. He also currently serves as the Chief Executive Officer of DHL Express China and a Global Management Board Member of DHL Express. DHL-Sinotrans, a leading international express company in China, is a joint venture between the global delivery and logistics giant DHL and Sinotrans. Mr. Wu has over 30 years of experience in the global delivery and logistics industry. He started his career at Sinotrans in July 1986, where he held various senior management positions and most recently served as the chairman of its supervisory board through March 2017. Mr. Dongming Wu received his bachelor’s degree in economics from Beijing International Studies University and his EMBA degree from the BiMBA Business School of the National School of Development at Peking University.

*Mr. Nick Ning Yang* has served as our director since December 2022. Mr. Yang has served as a founding partner of LeBox Capital, a venture investment fund that focuses on early-stage high growth TMT companies in China, since October 2011. Prior to that, Mr. Yang was a co-founder of KongZhong Corporation, a company focusing on wireless value-added services and listed on Nasdaq in July 2004, and served as Chief Technology Officer from 2002 to 2008. Mr. Yang had also held the position of Vice President of Technology at Nasdaq-listed Sohu from 2000 to 2001. From 1999 to 2000, Mr. Yang served as Chief Technology Officer of ChinaRen.com, a company he co-founded. Mr. Yang received a bachelor's degree in electrical engineering from the University of Michigan in 1997 and a master's degree in electrical engineering from the Stanford University in 1999.

*Mr. Wing Kee Lau* has served as our independent director since August 2023. Mr. Lau has served as the chief financial Officer of RoboSense Technology Co., Ltd. (HKSE: 2498) since August 2022. He served as an independent director of Genetron Holdings Limited (NASDAQ: GTH) from June 2020 to March 2024. Mr. Lau served as the chief financial Officer in Tarena International Inc. (NASDAQ: TEDU) from March 2020 to July 2022, the chief financial officer in Square Panda Inc. from July 2018 to August 2019, the chief financial officer in Perfect World Co., Ltd. (SHE: 002624) from March 2007 to June 2018, the chief financial officer and company secretary in Beijing Media Corporation Ltd. (HKSE: 1000) from November 2004 to February 2007, and a financial director in Ogilvy & Mather Advertising Ltd. Beijing Branch from July 2000 to October 2004. Prior to that, Mr. Lau worked in PricewaterhouseCoopers from January 1994 to July 2000. Mr. Lau obtained a bachelor's degree in business administration (finance) from the Hong Kong Baptist University in Hong Kong in November 1990, and an executive master of business administration degree from Cheung Kong Graduate School of Business in China in September 2011. Mr. Lau is an associate of both of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

*Mr. Zhao Wang* has served as our chief operating officer since April 2024. Prior to joining us, Mr. Wang worked for Antaeus Group, a Chinese group enterprise with cross-industry services in resort, film and art, as the chief executive officer of Mangrove Tree Technology Group from June 2020 to March 2024. He played a pivotal role in driving digital transformation initiatives and planning business operations for several super-large-scale resorts in China, including the deployment of intelligent operational and management system platforms and introducing self-driving vehicles in air as well as on the ground and water to resorts. Prior to that, Mr. Wang was the chief executive officer at Beijing Ganlan Technology Development Co., Ltd., an IT consulting firm, from August 2017 to June 2020. Between October 2008 and August 2017, Mr. Wang served in several executive positions at Antaeus Investment Group and was in charge of platform development, operation and management for cultural tourism projects and digital film industries. From December 2006 to October 2008, Mr. Wang served as technology manager in Sohu.com and led the architecture design of the website information system for the 2008 Summer Olympic Games in Beijing. Mr. Wang also participated in the development of information system for the 2004 Summer Olympic Games in Athens. Mr. Wang holds a bachelor's degree in computer science and technology from Tsinghua University.

*Ms. Haiyan Li* has served as our director since November 2025. Ms. Li founded HL Strategy in January 2025, a company providing consultancy services to companies with a globalization ambition or seeking to improve communication with the financial markets, and has been serving as its CEO. Prior to that, Ms. Li worked in the finance sector for 24 years and has acquired extensive experience in asset management. From October 2011 to December 2024, she was the head of China investments and portfolio manager of emerging markets at Carmignac Gestion. From October 2004 to October 2011, she served as the head of Asia markets investments at ADI (acquired by OFI in 2010) and was responsible for all investments in Asia. Ms. Li graduated from Beijing Foreign Studies University in the PRC in September 1998 with a bachelor's degree, majoring in French. She then obtained a master's degree in finance from ESCP Business School (formerly known as ESCP-EAP, now European School of Management) in June 2001. She was Asian convertible bond analyst at Société Générale Investment Banking from May 2001 until August 2004.

*Mr. Shuai Feng* has joined EHang in July 2014 and served as our chief technology officer since January 2026 and held the position of compliance officer. As a core member of the founding team, under the strategic guidance of Mr. Huazhi Hu, our founder, chairman, and chief executive officer, Mr. Feng has been deeply involved in the development of EHang's technology system and product portfolio and the integration of technology R&D, production and manufacturing, quality systems, and supply chain. Mr. Feng has led and played a pivotal role in the R&D of multiple landmark pilotless human-carrying electric vertical take-off and landing (eVTOL) aircraft, including the EH184, EH216-S, and VT35, as well as the GD series aerial formation unmanned aerial vehicles (UAVs), pioneering commercialization in global advanced air mobility (AAM) and aerial media performance applications. Aligned with the Company's full-industry-chain integration strategy, he has also overseen the establishment of the Company's procurement and supply chain management systems. By strengthening upstream and downstream coordination, enhancing productization efficiency, and advancing deep industry-chain integration and regional ecosystem development, he has significantly enhanced the Company's capabilities for key components R&D and scaled manufacturing. Mr. Feng graduated from Tsinghua University in Automation major, specializing in UAV technology. He is a recipient of the Grand Prize at Tsinghua University's 29th "Challenge Cup" competition and other honors. Currently, he serves as Deputy Director of the Tsinghua-EHang Joint Research Institute for Low-Altitude Aviation Technology, Deputy Secretary-General of the Aerospace, Aviation, and Smart Manufacturing Committee of the Tsinghua University Guangzhou Alumni Association, and Secretary-General of the Tsinghua University Future Robotics Interest Group.

## **B. Compensation**

### **Compensation of Directors and Executive Officers**

For the fiscal year ended December 31, 2025, we paid an aggregate of approximately RMB6.7 million (US\$1.0 million) in cash to our directors and executive officers. We are not required under Cayman Islands law to disclose, and we have not otherwise disclosed, the compensation of our directors and executive officers on an individual basis. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries and VIE 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. 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. 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 30 days' 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.

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.

## 2015 Share Incentive Plan

Our board of directors approved the 2015 Share Incentive Plan, or the 2015 Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The maximum aggregate number of ordinary shares that may be issued under the 2015 Plan pursuant to all awards under the 2015 Plan is 8,867,053 ordinary shares and can be increased up to a number that is equal to 15% of the then total outstanding shares on a fully diluted basis at the discretion of our board of directors. As of March 31, 2026, 53,737 share options were outstanding under the 2015 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2015 Plan.

*Types of Awards.* The 2015 Plan permits the awards of options, restricted shares and restricted share units.

*Plan Administration.* Our board of directors or a committee of one or more members of the board of directors will administer the 2015 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

*Award Agreement.* Awards granted under the 2015 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an 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 an award.

*Eligibility.* We may grant awards to our employees, consultants and directors, as determined by our board of directors or a committee of one or more members of the board of directors.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2015 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2015 Plan.* Unless terminated earlier, the 2015 Plan has a term of ten years. With the approval of our board of directors, the plan administrator has the authority to terminate, amend or modify the 2015 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the 2015 Plan.

## 2019 Share Incentive Plan

Our board of directors approved the 2019 Share Incentive Plan, or the 2019 Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The 2019 Plan became effective upon the completion of the Company's initial public offering in 2019. The maximum aggregate number of ordinary shares that may be issued under the 2019 Plan is initially 5,455,346, which may be increased by up to 15% of the then total outstanding shares on a fully diluted basis at the discretion of our board of directors. As of the date of this annual report, the maximum aggregate number of ordinary shares that may be issued under the 2019 Plan is 14,141,558. As of March 31, 2026, 2,758,000 restricted share units and 124,000 options were outstanding under the 2019 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2019 Plan.

*Types of Awards.* The 2019 Plan permits the awards of options, restricted shares and restricted share units.

*Plan Administration.* Our board of directors or a committee of one or more members of the board of directors will administer the 2019 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each 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 the terms, conditions and limitations for each award which may include the term of an 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 an award.

*Eligibility.* We may grant awards to our employees, consultants and directors, as determined by our board of directors or a committee of one or more members of the board of directors.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2019 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2019 Plan.* Unless terminated earlier, the 2019 Plan has a term of ten years. With the approval of our board of directors, the plan administrator has the authority to terminate, amend or modify the 2019 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the 2019 Plan.

## **2023 Share Incentive Plan**

Our board of directors approved the 2023 Share Incentive Plan, or the 2023 Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. The 2023 Plan became effective on December 22, 2023. The maximum aggregate number of ordinary shares that may be issued under the 2023 Plan is initially 3,782,555 (the "Maximum Number"). On the first day of each of the subsequent fiscal years during the term of the 2023 Plan starting from January 1, 2024, the Maximum Number shall automatically increase by an amount determined by the Board that is equal to no more than 3% of the total number of shares outstanding on the last day of the immediately preceding fiscal year. If the Board does not determine such amount of increase by the first day of each of the subsequent fiscal years, the Maximum Number shall automatically increase by 3% of the total number of shares outstanding on the last day of the immediately preceding fiscal year. As of the date of this annual report, the maximum aggregate number of ordinary shares that may be issued under the 2023 Plan is 16,413,255. As of March 31, 2026, 3,283,825 restricted share units and 6,507,580 options were outstanding under the 2023 Plan, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2023 Plan.

*Types of Awards.* The 2023 Plan permits the awards of options, restricted shares and restricted share units.

*Plan Administration.* Our board of directors or a committee of one or more members of the board of directors will administer the 2023 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

*Award Agreement.* Awards granted under the 2023 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an 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 an award.

*Eligibility.* We may grant awards to our employees, consultants and directors, as determined by our board of directors or a committee of one or more members of the board of directors.

*Vesting Schedule.* In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

*Transfer Restrictions.* Awards may not be transferred in any manner by the participant other than in accordance with the exceptions provided in the 2023 Plan or the relevant award agreement or otherwise determined by the plan administrator, such as transfers by will or the laws of descent and distribution.

*Termination and Amendment of the 2023 Plan.* Unless terminated earlier, the 2023 Plan has a term of ten years. With the approval of our board of directors, the plan administrator has the authority to terminate, amend or modify the 2023 Plan. However, without the prior written consent of the participant, no such action may adversely affect in any material way any award previously granted pursuant to the 2023 Plan.

The following table summarizes, as of March 31, 2026, the number of Class A ordinary shares under outstanding options, restricted share units and other equity awards that we granted to our directors and executive officers, excluding awards that were settled, forfeited or cancelled after the relevant grant dates.

<u>Name</u>	<u>Class A Ordinary Shares underlying Equity Awards</u>	<u>Date of Grant</u>	<u>Date of Expiration</u>
Huazhi Hu	*	From January 1, 2024 to February 1, 2026	From December 31, 2034 to January 31, 2036
Conor Chia-hung Yang	*	From August 1, 2023 to February 1, 2026	From July 31, 2033 to January 31, 2036
Dongming Wu	*	October 1, 2024	September 30, 2034
Nick Ning Yang	*	March 27, 2023	March 26, 2033
Wing Kee Lau	*	August 16, 2023	August 15, 2033
Zhao Wang	*	From October 1, 2024 to February 1, 2026	From September 30, 2034 to January 31, 2036
Haiyan Li	*	January 1, 2025	December 31, 2035
Shuai Feng	*	From January 1, 2024 to January 14, 2026	From December 31, 2034 to January 13, 2036
All directors and officers as a group	5,938,562	From March 27, 2023 to February 1, 2026	From March 26, 2033 to January 31, 2036

\* Vested equity awards less than 1% of our total outstanding ordinary shares on an as-converted basis.

As of March 31, 2026, other grantees as a group held 547,000 restricted share units and 6,241,580 options.

### Clawback Policy

In 2023, our board of directors adopted an Incentive Compensation Recoupment Policy, or the Clawback Policy, providing for the recovery of certain incentive-based compensation from current and former executive officers of our company in the event our company is required to restate any of its financial statements filed with the SEC under the Exchange Act in order to correct an error that is material to the previously-issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period. Adoption of the Clawback Policy was mandated by Nasdaq listing standards introduced pursuant to Exchange Act Rule 10D-1. A copy of our Clawback Policy is attached as Exhibit 97.1 to this annual report.

## C. Board Practices

### Board of Directors

Our board of directors consists of seven directors. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract or transaction, or proposed contract or transaction in which he or she is, whether directly or indirectly, interested, provided that (a) such director 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 (b) if such contract or transaction, or proposed contract or transaction is a transaction with a related party, such transaction has been approved by the audit committee in accordance with the Nasdaq rules. The directors may exercise all the powers of the company to borrow money, mortgage or charge its undertaking, property and assets (present or future) and uncalled capital or any part thereof, and issue debentures, debenture stock, bonds or other securities whether outright or as collateral security for any obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

### Committees of the Board of Directors

A company of which more than 50% of the voting power is held by a single entity is considered a “controlled company” under the Nasdaq Stock Market Rules. A controlled company is not required to comply with the Nasdaq corporate governance rules requiring a board of directors to have a majority of independent directors, to have an independent compensation committee, and to have an independent nominating and corporate governance committee. We are a “controlled company” as defined under the Nasdaq Stock Market Rules, but we have no current intention to rely on the controlled company exemption.

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 Wing Kee Lau, Dongming Wu and Haoxiang Hou. Wing Kee Lau is the chairman of our audit committee. We have determined that each of Wing Kee Lau, Dongming Wu and Haoxiang Hou satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Exchange Act, as amended. We have determined that Wing Kee Lau qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is 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; and

- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

**Compensation Committee.** Our compensation committee consists of Haoxiang Hou and Wing Kee Lau. Haoxiang Hou is the chairman of our compensation committee. We have determined that each of Haoxiang Hou and Wing Kee Lau satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market. 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 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; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

**Nominating and Corporate Governance Committee.** Our nominating and corporate governance committee consists of Huazhi Hu and Haoxiang Hou. Huazhi Hu is the chairperson of our nominating and corporate governance committee. We have determined that Haoxiang Hou satisfies the “independence” requirements of Rule 5605(c)(2) of the Listing Rules of the Nasdaq Stock Market. 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 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; and
- 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.

#### **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 exercise skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth Courts have moved toward an objective standard with regards to the registered skill and care and these authorized 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. Our company has the right to seek damages if a duty owed by our directors is breached. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our 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 and extraordinary 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 a resolution of our board of directors or by an ordinary resolution of our shareholders. Unless otherwise determined by our company in general meeting, our company shall have not less than three (3) directors, and there shall be no maximum number of directors. An appointment of a director may be on terms that the director shall automatically retire from office (unless he has sooner vacated office) at the next or a subsequent annual general meeting or upon any specified event or after any specified period in a written agreement between our company and the director, if any; but no such term shall be implied in the absence of express provision. Each director whose term of office expires shall be eligible for re-election at a meeting of the Shareholders or re-appointment by our board of directors. Our directors may be removed from office by ordinary resolution of the shareholders. In addition, a director’s office will be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be or becomes of unsound mind; (iii) resigns his office by notice in writing to us; (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our board of directors resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our memorandum and articles of association.

Our officers are elected by and serve at the discretion of the board of directors.

#### **D. Employees**

We had 367, 483 and 829 employees as of December 31, 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our employees categorized by function as of December 31, 2025:

<b>Function</b>	<b>Number</b>	<b>% of Total Employees</b>
Research and product development department	403	48.61%
Marketing and sales department	177	21.35%
General administration department	249	30.04%
Total number of employees	829	100.00%

We also had 153, 284 and 310 full-time contractors who are involved in the manufacturing of our products as of December 31, 2023, 2024 and 2025, respectively.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under PRC law to make contributions to an employee benefit plan at a specified percentage of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.”

We typically enter into standard employment and confidentiality agreements with our key employees. In addition, we entered into confidentiality and non-compete agreements with senior management and intellectual property assignment agreements with core technical personnel.

Our success depends on our ability to attract, retain and motivate qualified employees that share our values and vision. We believe that we maintain a good working relationship with our employees.

#### E. Share Ownership

Except as specifically noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2026 by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares on an as-converted basis.

The calculations in the table below are based on 112,664,164 Class A ordinary shares (excluding 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 and treasury shares) and 39,026,560 Class B ordinary shares outstanding as of March 31, 2026.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days after March 31, 2026, including through the exercise of any restricted share unit, option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Class A Ordinary Shares	Class B Ordinary Shares	Total Ordinary Shares on an as-Converted Basis	% of Beneficial Ownership	% of Aggregate Voting Power**
<b>Directors and Executive Officers:*</b>					
Huazhi Hu <sup>(1)</sup>	1,295,258	39,026,560	40,321,818	26.6%	77.9%
Haoxiang Hou <sup>(2)</sup>	60,000	—	60,000	0.0%	0.0%
Conor Chia-Hung Yang <sup>(3)</sup>	975,000	—	975,000	0.6%	0.2%
Dongming Wu <sup>(4)</sup>	158,737	—	158,737	0.1%	0.0%
Nick Ning Yang <sup>(5)</sup>	75,000	—	75,000	0.0%	0.0%
Wing Kee Lau <sup>(6)</sup>	20,500	—	20,500	0.0%	0.0%
Zhao Wang <sup>(7)</sup>	742,500	—	742,500	0.5%	0.1%
Haiyan Li <sup>(8)</sup>	188,775	—	188,775	0.1%	0.0%
Shuai Feng <sup>(9)</sup>	129,800	—	129,800	0.1%	0.0%
All Directors and Executive Officers as a Group	3,645,570	39,026,560	42,672,130	28.1%	78.3%
<b>Principal Shareholder:</b>					
Genesis Rising Limited <sup>(1)</sup>	1,295,258	39,026,560	40,321,818	26.6%	77.9%

Notes:

- \* M. Huazhi Hu, Mr. Conor Chia-Hung Yang, Mr. Zhao Wang and Mr. Shuai Feng's business address is EHang Future City (Group Headquarters), No. 118 Dongjiang Avenue, Huangpu District, Guangzhou, Guangdong Province, 510730, PRC. Mr. Haoxiang Hou's business address is No. 151 Mao Jia Yuan Rd, Huangpu District, Shanghai, PRC. Mr. Wing Kee Lau's business address is Building 9, Block 2, Zhongguan Honghualing Industry Southern District, 1213 Liuxian Avenue, Taoyuan Street, Nanshan District, Shenzhen, Guangdong Province, PRC. Mr. Dongming Wu's business address is No. 18 Rong Hua South Road, Beijing Economic-Technological Development Area, Daxing District, Beijing, PRC. Mr. Nick Ning Yang's business address is No.107 AI Technology Park, No. 27 Xidawang Road, Chaoyang District, Beijing, PRC. Ms. Haiyan Li's business address is 105, rue de Longchamp, Neuilly sur Seine, France.

- \*\* 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 outstanding 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, and while 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. Our Class B ordinary shares are convertible at any time by the holders thereof into Class A ordinary shares on a one-for-one basis.
- (1) Represents 1,295,258 Class A ordinary shares and 39,026,560 Class B ordinary shares held by Genesis Rising Limited, a British Virgin Islands company that is wholly owned by Mr. Huazhi Hu. The registered address of Genesis Rising Limited is Start Chambers, Wickham's Cay II, P.O. Box 2221, Road Town, Tortola, British Virgin Islands.
  - (2) Represents Class A ordinary shares held by Taxus Investment Holdings Limited, a British Virgin Islands company that is wholly owned by Mr. Haoxiang Hou.
  - (3) Represents Class A ordinary shares beneficially owned by Mr. Conor Chia-Hung Yang.
  - (4) Represents Class A ordinary shares beneficially owned by Mr. Dongming Wu, including Class A ordinary shares underlying share options and restricted share units held by Mr. Dongming Wu that have vested as of March 31, 2026 or will vest within 60 days after March 31, 2026.
  - (5) Represents Class A ordinary shares underlying restricted share units held by Mr. Nick Ning Yang that have vested as of March 31, 2026.
  - (6) Represents Class A ordinary shares underlying restricted share units held by Mr. Wing Kee Lau that have vested as of March 31, 2026.
  - (7) Represents Class A ordinary shares held by Caland Tech Limited, a British Virgin Islands company that is wholly owned by Mr. Zhao Wang.
  - (8) Represents Class A ordinary shares held by RedChip Strategy Limited, a Hong Kong company that is wholly owned by Ms. Haiyan Li.
  - (9) Represents Class A ordinary shares held by Smart Intelligence Holding Limited, a British Virgin Islands company that is wholly owned by Mr. Shuai Feng.

To our knowledge, as of March 31, 2026, 108,216,700 of our Class A ordinary shares were held by 6 record holders in the United States, including a total of 108,096,696 Class A ordinary shares held by The Bank of New York Mellon, the depository of the ADS program. None of our outstanding Class B ordinary shares are held by record holders in the United States. The number of beneficial owners of the ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

To our knowledge, except as disclosed above, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal person or persons, severally or jointly. 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**

Not applicable.

### **Item 7. Major Shareholders and Related Party Transaction**

#### **A. Major Shareholders**

Please refer to "Item 6. Directors, Senior Management and Employees—E. Share Ownership."

#### **B. Related Party Transactions**

##### **Contractual Arrangements with the VIE and its Shareholders**

Please refer to "Item 4. Information on the Company—C. Organizational Structure" for a detail description of the contractual arrangements among the WFOE, the VIE and the VIE's shareholders.

In October 2020, the VIE paid a guarantee deposit of RMB2.6 million (US\$0.4 million) to a court in Guangzhou, China to lift a judicial freeze on certain equity interests of the VIE, which were then nominally held under the name of our founder and director, Mr. Huazhi Hu. The judicial freeze was placed in connection with an arbitration in which Mr. Hu was named as a party. As of December 31, 2021, the judicial freeze had been lifted and the VIE has collected the deposit.

### **Transactions with Related Parties**

In 2025, we generated total revenue of (i) RMB13,316 thousand (US\$1,904 thousand) from sale of products to Hefei Heyi Aviation Co., Ltd. (“Hefei Heyi”), Zhejiang Zhiyi Navigation Co., Ltd. (“Zhejiang Zhiyi”), Guangzhou Yitong Zhihang Technology Co., Ltd. (“Yitong Zhihang”), Hangzhou Zhongnan Aviation Co., Ltd. (“Hangzhou Zhongnan”) and other equity investees, and (ii) RMB394 thousand (US\$56 thousand) from provision of services to Wanyi Tianxia (Zhuhai) Aviation Co., Ltd. (“Wanyi Tianxia”), Guangxi Fengshan Fengyi Aviation Service Co., Ltd. (“Fengshan Fengyi”), Hefei Heyi, Wuxi Liangyun Low-Altitude Commercial Operation Management Co., Ltd. (“Wuxi Liangyun”), Shenzhen Pengcheng Wing General Aviation Co., Ltd. (“Pengcheng Wing”) and Yitong Zhihang. Each of these entities is an equity investee of our company and we have significant influence over them. RedChip Strategy Limited (“RedChip”) is a company wholly owned by a director and classified as a related party of the Group on November 24, 2025 upon its shareholder’s appointment to the Group’s director. The Group maintained a consulting agreement with consulting firm RedChip. The consulting fees incurred during the period from November 24, 2025 to December 31, 2025 amounted to RMB1,127 thousand (US\$161 thousand), which were settled via a combination of cash and RSUs. As of December 31, 2025, we had accounts receivable of RMB5,188 thousand (US\$741 thousand) due from, and contract liabilities of RMB2,307 thousand (US\$330 thousand) due to, these equity investees in connection with product sales and services. In addition, as of December 31, 2025, the Group had a six-month loan and interest receivable of RMB2,070 thousand (US\$296 thousand) due from Hefei Heyi, with an interest rate of 3% per annum, which was settled in March 2026. In April 2025, the Group invested RMB14,500 thousand (US\$2,073 thousand) in Yihang Zhifang Equipment (Guangzhou) Co., Ltd. (“Zhifang”), a company under the control of our founder and Chairman of the Board, Mr. Huazhi Hu, to acquire 4.63% equity interests.

In 2024, we generated total revenue of (i) RMB0.1 million from sale of products to Hefei Heyi Aviation Co., Ltd. (“Hefei Heyi”), Wanyi Tianxia (Zhuhai) Aviation Co., Ltd. (“Wanyi Tianxia”) and Guangxi Fengshan Fengyi Aviation Service Co., Ltd. (“Fengshan Fengyi”), and (ii) RMB1.2 million from provision of services to Guangzhou Yitong Zhihang Technology Co., Ltd. (“Yitong Zhihang”), Hefei Heyi, Wanyi Tianxia and Wuxi Liangyun Low-Altitude Commercial Operation Management Co., Ltd. (“Wuxi Liangyun”). Each of Hefei Heyi, Wanyi Tianxia, Fengshan Fengyi, Yitong Zhihang and Wuxi Liangyun is an equity investee of our company and we have significant influence over them. As of December 31, 2024, we had account receivables of RMB0.5 million due from, and contract liabilities of RMB2.0 million due to, these equity investees in connection with product sales and services.

In 2023, we generated revenue of RMB3.0 million and RMB8.9 million from Yitong Zhihang and Xinjiang Xiyu Qingniao General Aviation Co., Ltd. (“Xiyu Qingniao”), respectively, through our sales of pilotless eVTOL aircraft. Each of Yitong Zhihang and Xiyu Qingniao is an equity investee of our company and we have significant influence over them. As of December 31, 2023, we had amount due from Yitong Zhihang of RMB1.7 million and contract liabilities to Xiyu Qingniao of RMB2.0 million relating to such sales.

As of December 31, 2025, RMB29,941 thousand (US\$4,282 thousand) short-term bank loans and RMB7,000 thousand (US\$1,001 thousand) long-term bank loans were guaranteed by Mr. Huazhi Hu, our founder, chairman and chief executive officer.

### **Employment Agreements and Indemnification Agreements**

Please refer to “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

## Share Incentive Plans

Please refer to “Item 6. Directors, Senior Management and Employees—B. Compensation—2015 Share Incentive Plan,” “Item 6. Directors, Senior Management and Employees—B. Compensation—2019 Share Incentive Plan” and “Item 6. Directors, Senior Management and Employees—B. Compensation—2023 Share Incentive Plan.”

## C. Interests of Experts and Counsel

Not applicable.

## Item 8. Financial Information

### A. Consolidated Statements and Other Financial Information

Please refer to Item 18 “Financial Statements” for our audited consolidated financial statements filed as part of this annual report.

## Legal Proceedings

From time to time, we may be involved in disputes and legal or administrative proceedings in the ordinary course of our business, including actions with respect to breach of contract, labor and employment claims, copyright, trademark, patent infringement, bankruptcy and other matters. Other than as described in this annual report, we are not a party to any material ongoing legal or administrative proceedings which may have significant effects on our financial position, results of operations or cash flows.

Between February 17 and 26, 2021, three federal securities class action lawsuits (captioned *Amberber v. EHang Holdings Limited, et al.*, Case No. 1:21-cv-01392-GBD (S.D.N.Y., filed Feb. 17, 2021), *Chaumont v. EHang Holdings Limited, et al.*, Case No. 1:21-cv-01526-GBD (S.D.N.Y., filed Feb. 19, 2021), and *Klein v. EHang Holdings Limited, et al.*, Case No. 2:21-cv-01811-JFW-PVC (C.D. Cal., filed Feb. 26, 2021)) were filed by purported holders of our ADSs in federal court. The complaints asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and generally allege that our company and certain of our officers made false and misleading statements regarding the status of its urban air mobility business, its international and domestic regulatory approvals, its relationships with major customers, and its manufacturing facilities. The complaints name as defendants our company and certain of our officers. In addition to costs and attorneys’ fees, the complaints seek compensatory and punitive damages. We believe these claims are without merit and intend to vigorously defend against them. These lawsuits were consolidated into a single class action lawsuit under the caption *In re EHang Holdings Ltd. Securities Litigation 1.21-CV-01392-GBD-GWG* (S.D.N.Y., filed Feb. 19, 2021), and a lead plaintiff and lead counsel were selected in February 2022. The lead plaintiff filed an amended complaint on April 25, 2022, making similar allegations as those in the previous complaints. Defendants filed a motion to dismiss the amended complaint in June 2022. The lead plaintiff filed an opposition to the defendants’ motion to dismiss in August 2022. The defendants filed a reply in support of their motion to dismiss in September 2022. In October 2022, the Court held oral argument on defendants’ motion to dismiss. The Court granted the defendants’ motion to dismiss the amended complaint on December 15, 2022, and entered final judgment dismissing the action in its entirety with prejudice on January 24, 2023. Lead plaintiff did not appeal the final judgment and on February 23, 2023, lead plaintiff’s deadline to appeal expired.

A former employee of our former U.S. subsidiary, EHang, Inc., filed a civil lawsuit against EHang Holdings, the VIE and certain individual defendants, including Mr. Huazhi Hu, chairman and chief executive officer of EHang Holdings, in the United States District Court for the Northern District of California. The plaintiff alleged that he was entitled to receive restricted share units from us. Following a trial by jury in April 2022, the Court entered judgment for the Plaintiff and against EHang Holdings, the VIE and Mr. Huazhi Hu as follows: (i) Judgment is entered against EHang Holdings on claims for breach of contract, false promise and unpaid wages, and EHang Holdings is held jointly and severally liable for compensatory damages in the amount of US\$3,500,000 and is liable for punitive damages in the amount of US\$10,000,000; (ii) Judgment is entered against the VIE on claims for breach of contract, false promise and unpaid wages, and the VIE is held jointly and severally liable for compensatory damages in the amount of US\$3,500,000; and (iii) Judgment is entered against Mr. Huazhi Hu on claims for false promise and unpaid wages, and Mr. Hu is held jointly and severally liable for compensatory damages in the amount of US\$3,500,000 and is liable for punitive damages in the amount of US\$5,000,000. We then filed a Motion for New Trial challenging the finding of false promise, the amount of the compensatory damage award, and the amount of the punitive damage award. The judge granted the Motion as to the false promise claim and set aside the verdict on that cause of action against EHang Holdings and Mr. Hu, and because the false promise claim was the only claim that could give rise to punitive damages, the Court set aside the punitive damage award and ordered a new trial on the false promise claim. The Court denied the motion as to the compensatory damage award. Following the Motion for New Trial, the parties have been engaged in settlement discussions. On April 25, 2023, the parties entered into a settlement agreement involving a total payment to the former employee of \$3,375,000 in four equal quarterly installments within one year. The Company had paid all four installments as of the date of this annual report.

On December 4, 2023, a securities class action complaint (captioned *Pujo v. EHang Holdings Limited*, No. 2:23-cv-10165 (C.D. Cal.)) was filed by purported holders of the Company's ADSs in federal court. The complaint asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and generally alleged that the Company and certain of its officers and directors made false and misleading statements regarding the Company's business, operations, and prospects, among other allegations. The complaint was based in large part on a November 7, 2023, report issued by short seller Hindenburg Research. The complaint named as defendants certain of the Company's officers and directors. The complaint sought unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including reasonable attorneys' fees. The Company and the lead plaintiff participated in private mediation on July 1, 2025. On July 3, 2025, the parties agreed to settle the matter for US\$1,985 thousand. On July 7, 2025, the parties notified the Court that they had reached an agreement in principle. The parties executed a stipulation of settlement effective as of August 11, 2025. As of December 31, 2025, EHang had paid the full settlement amount of US\$1,985 thousand. On January 12, 2026, the Court granted final approval of the class action settlement. For the year ended December 31, 2025, the Company recorded the settlement fee of US\$1,985 thousand (equivalent to RMB14,254 thousand) in other non-operating expenses.

### **Dividend Policy**

Our board of directors has discretion on whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. In either case, all dividends are subject to certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium, and provided always 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 immediately following the date on which the dividend is paid. Even if we decide to pay dividends, 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 that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See "Item 4. Information on the Company—B. Business Overview—PRC Regulation—Dividend Distribution."

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depository, as the registered holder of such ordinary shares, and the depository then will pay such amounts to the ADS holders 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 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**

See “—C. Markets.”

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

The ADSs, each represents two Class A ordinary shares, have been listed on the Nasdaq Global Market since December 12, 2019, under the symbol “EH.”

### **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**

The following are summaries of material provisions of our currently effective fifth amended and restated memorandum and articles of association, and of the Companies Act, insofar as they relate to the material terms of our ordinary shares.

*Objects of Our Company.* Under our memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

*Ordinary Shares.* Our ordinary shares are issued in registered form and are issued when registered in our register of shareholders. We may not issue shares to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares. 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 have the same rights except for voting and conversion rights. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to vote at our general meetings, and each Class B ordinary share shall entitle the holder thereof to ten votes on all matters subject to vote at our general meetings.

*Conversion.* Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares in any event. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by their holder or upon a change of ultimate beneficial ownership of any Class B ordinary shares to any person other than our founder or an affiliate controlled by our founder, each such Class B ordinary share shall be automatically and immediately converted into one of Class A ordinary share.

*Dividends.* The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may declare dividends by ordinary resolution, but no dividend shall exceed the amount recommended by our directors. Our amended and restated memorandum and articles of association provide that the directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, in the absolute discretion of the directors, be applicable for meeting contingencies or for equalizing dividends or for any other purpose to which those funds may be properly applied. 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 immediately following the date on which the dividend is paid.

*Voting Rights.* Holders of our Class A ordinary shares and our Class B ordinary shares shall, at all times, vote together as one class on all matters submitted to a vote by our shareholders at any general meeting of our company. Each Class A ordinary share shall be entitled to one vote, and each Class B ordinary share shall be entitled to ten votes, on all matters subject to a vote on a poll at general meetings of our company. Voting at any shareholders' meeting is by show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands). A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the votes attaching to the total ordinary shares which are present in person or by proxy at the meeting.

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 two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or combine their shares by ordinary resolution.

*General Meetings of Shareholders.* As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders' general meetings may be convened by the chairman of our board of directors or a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders' meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of all votes attaching to all of our shares in issue and entitled to vote.

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 memorandum and articles of association provide that upon the requisition of shareholders holding at the date of deposit of the requisition shares which carry in aggregate not less than one-third of all votes attaching to all issued and outstanding shares of our company 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 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. 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 the Nasdaq Global Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three calendar 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, after compliance with any notice required of the Nasdaq Global Market, be suspended and the register closed at such times and for such periods as our board of directors may, in their absolute discretion, from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 calendar days in any calendar year.

*Liquidation.* On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall 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 the whole of the share capital, the 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 a special resolution of our shareholders. 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.* If at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise subject to any rights or restrictions for the time being attached to any class), may only be materially adversely varied with the consent in writing of the holders of two-thirds 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 the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by, *inter alia*, the creation or issue of further shares ranking *pari passu* with or subsequent to such existing class of shares or the redemption or purchase of any shares of any class by our company. Further, the rights the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

*Issuance of Additional Shares.* Our memorandum and articles of association authorize our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our 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 (except for the memorandum and articles of association, our register of mortgages and charges and special resolutions of our shareholders). However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

*Anti-Takeover Provisions.* Some provisions of our 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 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 registered 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 shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are given for a period of up to 30 years);
- 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).

### **Differences in Corporate Law**

The Companies Act is derived, to a large extent, from the older Companies Acts of England but does not follow recent English statutory enactments and accordingly there are significant differences between the Companies Act and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (i) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (ii) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, provided that the dissenting shareholder complies strictly with the procedures set out in the Companies Act. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Act also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by (a) 75% in value of the shareholders or class of shareholders, as the case may be, or (b) a majority in number representing 75% in value of the creditors or each class of creditors, as the case may be, with whom the arrangement is to be made, that are, in each case, present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

The Companies Act also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction by way of scheme of arrangement is thus approved and sanctioned, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders’ Suits.* In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge actions where:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

*Indemnification of Directors and Executive Officers and Limitation of Liability.* Cayman Islands law does not limit the extent to which a company’s memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person’s dishonesty, wilful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Directors’ Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the 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 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.

*Shareholder Action by Written Resolution.* Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our articles of association provide that our shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

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 memorandum and articles of association. Our memorandum and articles of association allow our shareholders holding in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings. As an exempted Cayman Islands company, we may but are not obliged by law to call shareholders' annual general meetings.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands, but our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; or (v) is removed from office pursuant to any other provisions of our memorandum and articles of association.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

*Restructuring.* A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

*Dissolution; Winding up.* Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Act and our articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

*Variation of Rights of Shares.* Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the written consent of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act and our memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

*Rights of Non-resident or Foreign Shareholders.* There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association that require our company to disclose shareholder ownership above any particular ownership threshold.

### **C. Material Contracts**

Other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or “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**

See “Item 4. Information on the Company—B. Business Overview—PRC Regulation—Foreign Exchange.”

### **E. Taxation**

The following summary of the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in the ADSs or our Class A ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in the ADSs or our Class A ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, and to the extent it relates to summary or description of PRC tax law, it represents the opinion of Zhong Lun Law Firm, our counsel as to PRC law.

#### **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. 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.

Payments of dividends and capital in respect of our 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 ordinary shares, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

#### **PRC Taxation**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. 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. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, 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 Administration of Taxation’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 Circular 82, 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 the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that EHang is not a PRC resident enterprise for PRC tax purposes. EHang is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that EHang meets all of the conditions above. EHang is a company incorporated outside the PRC. 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 the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. 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 us.

If the PRC tax authorities determine that EHang 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 the ADSs. In addition, non-resident enterprise shareholders (including the 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 the PRC. It is unclear whether our non-PRC individual shareholders (including the ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC 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. It is also unclear whether non-PRC shareholders of EHang would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that EHang is treated as a PRC resident enterprise. Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. 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, the tax rate in respect to dividends paid by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced tax rate: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation), which became effective in October 2009, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced tax rate. There are also other conditions for enjoying the reduced tax rate according to other relevant tax rules and regulations. Accordingly, our subsidiary may be able to enjoy the 5% tax rate for the dividends it receives from its PRC incorporated subsidiaries if they satisfy the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations and obtain the approvals as required. However, according to SAT Circular 81, if the relevant tax authorities determine our transactions or arrangements are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable tax rate on dividends in the future.

Provided that our Cayman Islands holding company, Ehang Holdings, is not deemed to be a PRC resident enterprise, holders of the ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. SAT Public Notice 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of SAT Bulletin 37 and SAT Public Notice 7, we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under SAT Bulletin 37 and SAT Public Notice 7 and we may be required to expend valuable resources to comply with SAT Bulletin 37 and SAT Public Notice 7 or to establish that we should not be taxed under SAT Bulletin 37 and SAT Public Notice 7. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.”

## U.S. Federal Income Taxation

The following discussion is a summary of certain material U.S. federal income tax considerations generally applicable to the ownership and disposition of the ADSs or ordinary shares by a U.S. Holder (as defined below) that holds the ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing U.S. federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, the IRS, with respect to any U.S. federal income tax consequences described below, and 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, Medicare, and alternative minimum tax considerations, any election to apply Section 1400Z-2 of the Code to gains recognized with respect to sales or other dispositions of the ADSs or ordinary shares, special accounting rules under Section 451(b) of the Code, or any state, local or non-U.S. tax considerations, relating to the ownership or disposition of the ADSs or ordinary shares. The following summary also 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;
- dealers or 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);
- governmental organizations;
- investors who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- investors that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or ordinary shares through such entities,
- 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 U.S. federal, state and local and non-U.S. tax considerations of owning and disposing of the ADSs or ordinary shares in its particular circumstances.

## General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of the ADSs or 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 treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of ADSs or 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 the ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in the ADSs or 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 the ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to U.S. federal income tax. The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between a U.S. Holder of an ADS and the issuer of the underlying share may be taking actions inconsistent with the beneficial ownership of the underlying share. Accordingly, the creditability of foreign taxes, if any, could be affected by actions taken by such intermediaries if, as a result of such actions, the U.S. Holder of the ADS is not properly treated as the beneficial owner of the underlying share.

## Dividends

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” distributions paid on the ADSs or 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 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 the ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from U.S. corporations. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the amount received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. Subject to applicable limitations, dividends paid to certain non-corporate U.S. Holders may be taxable at reduced rates. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of these reduced tax rates in their particular circumstances.

Dividends will generally be treated as income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on the ADSs or ordinary shares (see “Item 10. Additional Information—E. Taxation—PRC Taxation”). For U.S. federal income tax purposes, the amount of the dividend income will include amounts withheld in respect of PRC withholding tax, if any.

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 not in excess of any applicable treaty rate in respect of any foreign withholding taxes imposed on dividends received on the ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax 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**

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize gain or loss upon the sale or other disposition of the ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and such holder's adjusted tax basis in such ADSs or ordinary shares. The gain or loss will generally be capital gain or loss. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. The deductibility of a capital loss is subject to limitations.

Any such gain or loss that the U.S. Holder recognizes will generally be treated as U.S.-source income or loss for foreign tax credit limitation purposes, which will generally limit the availability of foreign tax credits. However, in the event we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty. In such event, if PRC tax were to be imposed on any gain from the disposition of the ADSs or ordinary shares, a U.S. Holder that is eligible for the benefits of the United States-PRC income tax treaty may elect to treat such gain as PRC source income. If a U.S. Holder is not eligible for the benefits of the United States-PRC income tax treaty or fails to make the election to treat any gain as foreign source, then such U.S. Holder may not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). Each U.S. Holder is advised to consult its tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the ADSs or ordinary shares, including the availability of the foreign tax credit under its particular circumstances.

### **Passive Foreign Investment Company Rules**

A non-U.S. corporation, such as our company, will be classified as a PFIC if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (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. For this purpose, cash and assets readily convertible into cash are generally categorized as passive assets and the company's goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. For purposes of these rules, 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, more than 25% (by value) of the stock. Although the law in this regard is unclear, we intend to treat the VIE and the VIE's subsidiaries as being owned by us for U.S. federal income tax purposes, not only because we have the power to direct the significant activities of such entities but also because we are entitled to substantially all of their economic benefits and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on our analysis of our activities as well as the composition of our income and valuation of our assets, including goodwill, we do not believe we were a PFIC for U.S. federal income tax purposes for the taxable year ended December 31, 2024. However, our PFIC status for any taxable year is a factual determination that can be made only after the end of such year, and will depend on the composition of our income and assets and the value of our assets for such year. Moreover, because we hold, and may continue to hold, a significant amount of cash, our PFIC status for any taxable year may depend on the value of our goodwill which may be determined, in part, by reference to the market price of the ADSs, which may change from time to time. In addition, it is not entirely clear how the contractual arrangements between us and the VIE will be treated for purposes of the PFIC rules. If it were determined that we are not the owner of the stock of the VIE for U.S. federal income tax purposes, we could be treated as a PFIC. In light of the foregoing, there can be no assurance that we were not, or will not be, a PFIC for any taxable year. Our U.S. counsel expresses no opinion with respect to our PFIC status for any taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds the ADSs or 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 that have a penalizing effect, regardless of whether we remain a PFIC, 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 ordinary shares), and (ii) any gain realized on the sale or other disposition of the ADSs or 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 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
- 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 the ADSs or ordinary shares and any of our subsidiaries, the VIE or any of the subsidiaries of the VIE 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, the VIE or any of the subsidiaries of the VIE.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If we are a PFIC and a U.S. Holder makes this election with respect to the ADSs, 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 the ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs 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 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 the ADSs and we cease 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 we are 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 the ADSs 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.

The mark-to-market election is available only for "marketable stock," which is stock that is regularly traded on a qualified exchange or other market as defined in applicable U.S. Treasury Regulations. The ADSs will be treated as "regularly traded" for any calendar year in which more than a *de minimis* quantity of the ADSs are traded on a qualified exchange for at least 15 days during each calendar quarter. The Nasdaq Global Market, where the ADSs are listed, is a qualified exchange for this purpose.

Because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder 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 the ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 or such other form as is required by the U.S. Treasury Department. Each U.S. Holder is advised to consult its tax advisor regarding the potential tax consequences to such holder if we were, are or become a PFIC, including the possibility of making a mark-to-market election.

#### **Information Reporting and Backup Withholding**

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other “exempt recipient” and (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS. Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of the ADSs or ordinary shares, unless the ADSs or ordinary shares are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the ADSs or ordinary shares.

#### **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 the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are not subject to the insider short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act.

All information that we have filed with the SEC can be accessed through the SEC’s website at [www.sec.gov](http://www.sec.gov). This information can also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms.

We will furnish The Bank of New York Mellon, the depository of the ADSs, 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.

In accordance with Nasdaq Stock Market Rule 5250(d), we will post this annual report on Form 20-F on our website at *ir.ehang.com*. In addition, we will provide hard copies of our annual report free of charge to shareholders and ADS holders upon request.

## **I. Subsidiary Information**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

### **Foreign Currency Exchange Rate Risk**

As of December 31, 2025, a majority of our revenues and expenses were denominated in RMB. We expect that in the future a substantial portion of our revenues will be denominated in foreign currencies as our business and operations expand in overseas markets. As a result, we are exposed to increased foreign exchange risks for U.S. dollar and other currencies. Any significant revaluation of Renminbi against U.S. dollar may adversely affect our cash flow, earnings, and financial position, and the value of, and any dividends payable on, our ordinary shares and the ADSs. As of December 31, 2025, a 1% strengthening or weakening of Renminbi against U.S. dollars would have increased or decreased our net loss by 0.13%. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Future movements in exchange rates between U.S. dollars and Renminbi may adversely affect the value of our ordinary shares or the ADSs.”

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

### **Interest Rate Risk**

We have not been exposed to material risks due to changes in interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

Our exposure to interest rate risk primarily relates to excess cash invested in short-term investments. 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.

## **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 Expenses*

The Bank of New York Mellon, as depositary, is responsible for registering and delivering American Depositary Shares, also referred to as ADSs. Each ADS represents two Class A ordinary shares (or a right to receive two Class A ordinary shares) deposited with The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary in Hong Kong. Each ADS also represents any other securities, cash or other property that may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs are being administered and its principal executive office are each located at 240 Greenwich Street, New York, New York 10286.

An ADS holder will be required to pay the following fees under the terms of the deposit agreement:

<u>Persons depositing or withdrawing shares or ADS holders must pay</u>	<u>For</u>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"><li>• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property</li></ul>
\$0.05 (or less) per ADS	<ul style="list-style-type: none"><li>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</li></ul>
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	<ul style="list-style-type: none"><li>• Any cash distribution to ADS holders</li></ul>
\$.05 (or less) per ADS per calendar year	<ul style="list-style-type: none"><li>• Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders</li></ul>
Registration or transfer fees	<ul style="list-style-type: none"><li>• Depository services</li></ul>
Expenses of the depositary	<ul style="list-style-type: none"><li>• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares</li></ul>
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"><li>• Cable (including SWIFT) and facsimile transmissions (when expressly provided in the deposit agreement)</li></ul>
Any charges incurred by the depositary or its agents for servicing the deposited securities	<ul style="list-style-type: none"><li>• Converting foreign currency to U.S. dollars</li><li>• As necessary</li><li>• As necessary</li></ul>

### *Fees and Other Payments Made by the Depositary to us*

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions. For the year ended December 31, 2025, we received US\$0.2 million in reimbursement from the depositary for our expenses incurred in connection with the establishment and maintenance of the ADS program.

*Payment of Taxes*

ADS holders will be responsible for any taxes or other governmental charges payable on the ADSs or on the deposited securities represented by any of the ADSs. The depositary may refuse to register any transfer of ADSs or allow holders thereof to withdraw the deposited securities represented by the ADSs until those taxes or other charges are paid. It may apply payments owed to ADS holders or sell deposited securities represented by the ADSs to pay any taxes owed and the ADS holders will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

None.

### **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 annual report.

Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of December 31, 2025, our disclosure controls and procedures were ineffective because of the material weakness in our internal control over financial reporting described below.

Notwithstanding the material weakness in our internal control over financial reporting, we believe that our consolidated financial statements included in this annual report fairly present, in all material respects, our financial position, results of operations and cash flows for the fiscal years covered thereby in accordance with U.S. GAAP.

#### **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 Exchange Act Rules 13a-15(f) and 15d-15(f)). Our management evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was ineffective as of December 31, 2025, due to the material weakness in our internal control over financial reporting described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

We identified a material weakness in our internal control over financial reporting, as we lacked effective controls over revenue from air mobility solutions. Specifically, we did not effectively assess the probability to collect substantially all of the consideration from the customers prior to recognizing revenue. This material weakness, resulted in material errors in our previously announced unaudited financial information for the three and six months ended June 30, 2025, the three and nine months ended September 30, 2025, and the three months and year ended December 31, 2025. Corrections to the 2025 interim and annual periods have been made to the revenue and accounts receivable, net, and the corresponding financial statement line items, including contract liabilities, accrued expenses and other liabilities, cost of revenues and prepayments and other current assets, the expected credit losses on accounts receivable, warranty costs and related balance, and relevant accounts for value-added tax and income tax. Additionally, until we remediate the material weakness identified, it could result in material misstatements to our annual consolidated financial statements that would not be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting 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 and procedures may deteriorate.

## 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 is included herein.

### Remediation Activities

Management has undergone a comprehensive review of the material weakness and is actively engaged in the planning for and designing of controls to remediate the material weakness. Additional time is required to complete the design and test the operating effectiveness of the applicable controls to demonstrate the effectiveness of the remediation efforts. The material weakness cannot be considered remediated until applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

### Changes in Internal Control over Financial Reporting

Other than as described above, there were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

### Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Wing Kee Lau, 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. Certain provisions of the code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at *ir.ehang.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 (“PwC”), our principal external auditors, for the periods indicated.

	For the Year Ended December 31,	
	2024	2025
	(RMB in thousands)	
Audit fees <sup>(1)</sup>	12,748	12,921
Audit-related fees <sup>(2)</sup>	—	270
<b>Total</b>	<b>12,748</b>	<b>13,191</b>

Note:

- (1) “Audit fees” means the aggregate fees billed in each of the fiscal years for professional services rendered by our principal external auditors for the audit of our annual consolidated financial statements, assistance with review of documents filed with the SEC and other statutory and regulatory filings, and services related to our follow-on public offering and other financing transactions.
- (2) Audit-related fees include the progress fees billed for permissible internal control consultation service rendered by our principal external auditors in 2025.

The policy of our audit committee is to pre-approve all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm.

### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

In November 2024, our board of directors adopted a share repurchase program (the “2024 Share Repurchase Program”), under which we are authorized to repurchase through one or more transactions up to US\$30 million worth of our ADSs representing our Class A ordinary shares over the next 12 months. The 2024 Share Repurchase Program was announced on November 22, 2024.

The table below sets forth a summary of the ADSs repurchased by us in 2024 pursuant to the 2024 Share Repurchase Program:

<u>Period</u>	<u>Total Number of ADSs Purchased</u>	<u>Average Price Paid Per ADS (US\$)</u>	<u>Total Number of ADSs Purchased as Part of Publicly Announced Plan</u>	<u>Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan (US\$)</u>
December	100,000	13.99	100,000	28,601,122
Total	100,000	13.99	100,000	28,601,122

**Item 16F. Change in Registrant’s Certifying Accountant**

None.

**Item 16G. Corporate Governance**

As a Cayman Islands company listed on the Nasdaq Global Market, we are subject to the Nasdaq Stock Market Rules corporate governance listing standards. However, Nasdaq Stock Market 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 Stock Market Rules. While we voluntarily follow most Nasdaq corporate governance rules, we may choose to take advantage of the following exemptions afforded to foreign private issuers:

- exemption from the requirement that a majority of our board of directors consists of independent directors;
- exemption from the requirement that each member of the compensation committee must be an independent director set forth in Nasdaq Rule 5605(d)(2)(A);
- exemption from the requirement that director nomination should be made by a vote in which only independent directors participate or by a nominations committee comprised solely of independent directors as set forth in Nasdaq Rule 5605(e)(1);
- exemption from the requirement to obtain shareholder approval for certain issuances of securities, including shareholder approval of stock option plans;
- exemption from the requirement that our board of directors shall have regularly scheduled meetings at which only independent directors are present as set forth in Nasdaq Rule 5605(b)(2); and
- exemption from the requirement that an annual shareholders meeting must be held no later than one year after the end of the company’s fiscal year-end as set forth in Nasdaq Rule 5620(a).

We intend to follow our home country practices in lieu of the foregoing requirements, although (i) a majority of our board of directors consists of independent directors and (ii) each member of our compensation committee satisfies the independence requirements set forth in Nasdaq Rule 5605(d)(2)(A). We may also opt to rely on additional home country practice exemptions in the future. Although we may rely on home country corporate governance practices in lieu of certain of the rules in the Nasdaq Rule 5600 Series and Rule 5250(d), we must comply with Nasdaq's Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640) and have an audit committee that satisfies Rule 5605(c)(3), consisting of committee members that meet the independence requirements of Rule 5605(c)(2)(A)(ii). Although we currently intend to comply with the Nasdaq corporate governance rules applicable other than as noted above, we may in the future decide to use the foreign private issuer exemption with respect to some or all the other Nasdaq corporate governance rules. As a result, our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. We may utilize these exemptions for as long as we continue to qualify as a foreign private issuer.

We are also eligible to rely on exemptions afforded to controlled companies. A company of which more than 50% of the voting power is held by a single entity is considered a "controlled company" under the Nasdaq Stock Market Rules. A controlled company is not required to comply with the Nasdaq corporate governance rules requiring a board of directors to have a majority of independent directors, to have an independent compensation committee, and to have an independent nominations/corporate governance committee. We are a "controlled company" as defined under the Nasdaq Stock Market Rules, but we have no current intention to rely on the controlled company exemption.

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**Item 16J. Insider Trading Policies**

We have adopted an Insider Trading Policy (the “Insider Trading Policy”), which, among other things, governs the purchase, sale and other dispositions of our securities by our directors, executive officers and employees. Our Insider Trading Policy aims to promote compliance with applicable insider trading laws, rules and regulations, and the Nasdaq listing standards. A copy of our Insider Trading Policy is filed as Exhibit 11.2 to this annual report. In addition, it is the Company’s intent to comply with applicable laws and regulations relating to insider trading.

**Item 16K. Cybersecurity****Risk Management and Strategy**

We have implemented and maintained various information security processes designed to identify, assess and manage material risks from cybersecurity threats to our critical computer networks, third party hosted services, communications systems, hardware and software, and our critical data, including intellectual property, and confidential information that is proprietary, strategic or competitive in nature (“Information Systems and Data”).

Our IT department helps identify, assess and manage our cybersecurity threats and risks. Our IT department identifies and assesses risks from cybersecurity threats by monitoring and evaluating our threat environment using various methods including, for example, manual tools, automated tools, analyzing reports of threats and actors, conducting scans of the threat environment, evaluating our and our industry’s risk profile, evaluating threats reported to us, conducting threat assessments for internal and external threats, engaging third party threat assessments, etc.

Depending on the environment, we implement and maintain various technical, physical, and organizational measures, processes, standards and policies designed to manage and mitigate material risks from cybersecurity threats to our Information Systems and Data, including, for example, cybersecurity incident response policy, incident detection and response, vulnerability management policy, disaster recovery/business continuity plans, security standards, encryption of data, network security controls, data segregation, access controls, physical security, asset management, tracking and disposal, systems monitoring and employee training.

Our assessment and management of material risks from cybersecurity threats are integrated into our overall risk management processes. For example, (i) our IT department works with our management to prioritize our risk management processes and mitigate cybersecurity threats that are more likely to lead to a material impact to our business, and (ii) our senior management evaluates material risks from cybersecurity threats against our overall business objectives and reports to the audit committee of the board of directors, which evaluates our overall enterprise risk.

We use third-party service providers to assist us from time to time to identify, assess, and manage material risks from cybersecurity threats, including, for example, professional services firms including legal counsel, cybersecurity software providers and managed cybersecurity service providers. We have a vendor management program to manage cybersecurity risks associated with our use of these providers. The program includes review of security assessment and imposition of information contractual obligations on the vendor. Depending on the nature of the services provided, the sensitivity of the Information Systems and Data at issue, and the identity of the provider, our vendor management process may involve different levels of assessment designed to help identify cybersecurity risks associated with a provider and impose contractual obligations related to cybersecurity on the provider.

For a description of the risks from cybersecurity threats that may materially affect our company and how they may do so, see our risk factors under “Part I. Item 3D. Risk Factors in this Annual Report” on Form 20-F, including the risk factors headed “Any significant cybersecurity incident or disruption to our operating systems, command-and-control centers, or information systems and infrastructure could subject us to significant reputational, financial, legal and operational consequences,” and “Failure to safeguard personal information could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.”

## **Governance**

Our board of directors addresses our company’s cybersecurity risk management as part of its general oversight function. The audit committee of the board of directors is responsible for overseeing our cybersecurity risk management processes, including oversight and mitigation of risks from cybersecurity threats.

Our cybersecurity risk assessment and management processes are implemented and maintained by certain of our management, including our chief executive officer, our chief financial officer, our vice president of software department and our senior network engineer. With the experience of setting up servers and firewalls, our senior network engineer is responsible for hiring appropriate personnel, helping to integrate cybersecurity risk considerations into our overall risk management strategy, communicating key priorities to relevant personnel, and overseeing the operation of our cybersecurity risks and cloud services. With the experience of software programming, our vice president of software department is mainly responsible for supervising our IT and software departments, including helping prepare for cybersecurity incidents, approving cybersecurity processes, and reviewing security assessments and other security-related reports. Our vice president of software department reports to our chief executive officer and our chief executive officer is responsible for approving budgets.

Our cybersecurity incident response and vulnerability management policies are designed to escalate certain cybersecurity incidents to cybersecurity incident management team (the “CSI management team”) depending on the circumstances, including our chief operating officers, chief financial officer and in-house general counsel. The CSI management team works with our company’s senior management team to help our company mitigate and remediate cybersecurity incidents of which they are notified. In addition, our company’s cybersecurity incident response and vulnerability management policies include reporting to the audit committee of the board of directors for certain cybersecurity incidents. The audit committee receives periodic reports from our CSI management team concerning our company’s significant cybersecurity threats and risk and the processes our company has implemented to address them. The audit committee also has access to various reports, summaries or presentations related to cybersecurity threats, risk and mitigation.

### PART III

#### Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

#### Item 18. Financial Statements

Our consolidated financial statements are included at the end of this annual report.

#### Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<a href="#"><u>Fifth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to our registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
2.1	<a href="#"><u>Registrant's Specimen American Depositary Receipt (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-237769) filed with the SEC on April 21, 2020)</u></a>
2.2	<a href="#"><u>Registrant's Specimen Certificate for Class A ordinary shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
2.3	<a href="#"><u>Deposit Agreement among the Registrant, the depository and the owners and holders of American Depositary Shares, dated as of December 11, 2019 (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-237769) filed with the SEC on April 21, 2020)</u></a>
2.4	<a href="#"><u>Second Amended and Restated Shareholders' Agreement, dated as of December 27, 2016, by and among the Registrant and other parties thereto (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
2.5	<a href="#"><u>Description of Securities (incorporated herein by reference to Exhibit 2.5 of our Annual Report on Form 20-F for the year ended December 31, 2019 (File No. 001-39151) filed with the SEC on April 20, 2020)</u></a>
4.1	<a href="#"><u>2015 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.2	<a href="#"><u>2019 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.3	<a href="#"><u>2023 Share Incentive Plan (incorporated herein by reference to Exhibit 4.1 to the current report on Form 6-K (File No. 001-39151) filed with the SEC on December 22, 2023)</u></a>
4.4	<a href="#"><u>Form of Indemnification Agreement between the Registrant and its director and executive officers (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>

<u>Exhibit Number</u>	<u>Description of Document</u>
4.5	<a href="#"><u>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. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.6	<a href="#"><u>English translation of the Shareholders Voting Proxy Agreement and Power of Attorney among the WFOE, the VIE and shareholders of the VIE dated October 21, 2020 (incorporated herein by reference to Exhibit 4.5 of our Annual Report on Form 20-F for the year ended December 31, 2020 (File No. 001-39151) filed with the SEC on June 15, 2021)</u></a>
4.7	<a href="#"><u>English translation of the Share Pledge Agreements among the WFOE and shareholders of the VIE dated October 21, 2020 (incorporated herein by reference to Exhibit 4.6 of our Annual Report on Form 20-F for the year ended December 31, 2020 (File No. 001-39151) filed with the SEC on June 15, 2021)</u></a>
4.8	<a href="#"><u>English translation of the Exclusive Consulting and Service Agreement and the Exclusive Services Agreement between the WFOE and the VIE dated January 29, 2016 (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.9	<a href="#"><u>English translation of the Amendment to Exclusive Consulting and Service Agreement between the WFOE and the VIE dated November 30, 2018 (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.10	<a href="#"><u>English translation of the Exclusive Option Agreement among the WFOE, the VIE and shareholders of the VIE dated October 21, 2020 (incorporated herein by reference to Exhibit 4.9 of our Annual Report on Form 20-F for the year ended December 31, 2020 (File No. 001-39151) filed with the SEC on June 15, 2021)</u></a>
4.11	<a href="#"><u>English translation of the Special Agreement on the Capital Increase of the VIE among the WFOE, the VIE and shareholders of the VIE dated February 22, 2019 (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
4.12	<a href="#"><u>English translation of the Amendments to the Special Agreement on the Capital Increase of the VIE among the WFOE, the VIE, Huazhi Hu, Yifang Xiong and shareholders of the VIE dated September 7, 2020 and October 21, 2020, respectively (incorporated herein by reference to Exhibit 4.11 of our Annual Report on Form 20-F for the year ended December 31, 2020 (File No. 001-39151) filed with the SEC on June 15, 2021)</u></a>
4.14	<a href="#"><u>English Translation of the Subscription Agreement, dated as of December 21, 2022, between the Registrant and Qingdao Ocean Investment Group Co., Ltd. (incorporated herein by reference to Exhibit 4.13 of our Annual Report on Form 20-F for the year ended December 31, 2022 (File No. 001- 39151) filed with the SEC on April 27, 2023)</u></a>
4.15	<a href="#"><u>Subscription Agreement, dated as of July 11, 2023, between the Registrant and Rich Ning Inc. (incorporated herein by reference to Exhibit 4.15 of our Annual Report on Form 20-F for the year ended December 31, 2023 (File No. 001- 39151) filed with the SEC on April 15, 2024)</u></a>
4.16	<a href="#"><u>Subscription Agreement, dated as of July 11, 2023, between the Registrant and Gamma Financial Solutions Limited (incorporated herein by reference to Exhibit 4.16 of our Annual Report on Form 20-F for the year ended December 31, 2023 (File No. 001- 39151) filed with the SEC on April 15, 2024)</u></a>

<u>Exhibit Number</u>	<u>Description of Document</u>
4.17	<a href="#"><u>Subscription Agreement, dated as of July 11, 2023, between the Registrant and Lee Soo Man (incorporated herein by reference to Exhibit 4.17 of our Annual Report on Form 20-F for the year ended December 31, 2023 (File No. 001- 39151) filed with the SEC on April 15, 2024)</u></a>
4.18	<a href="#"><u>At Market Issuance Sales Agreement, dated as of April 19, 2024, between EHang Holdings Limited and China Renaissance Securities (Hong Kong) Limited (incorporated herein by reference to Exhibit 1.2 to the registration statement on Form F—3 (File No. 333-278830) filed with the SEC on April 19, 2024)</u></a>
4.19 <sup>#</sup>	<a href="#"><u>English Translation of the Subscription Agreement, dated as of November 14, 2024, between the Registrant and Enpower Electric Co., Ltd. (incorporated herein by reference to Exhibit 4.19 of our Annual Report on Form 20-F for the year ended December 31, 2024 (File: 001-39151) filed with the SEC on April 15, 2025)</u></a>
4.20 <sup>#</sup>	<a href="#"><u>Form of Subscription Agreement, dated as of November 7, 2024, between the Registrant and an investor (incorporated herein by reference to Exhibit 4.20 of our Annual Report on Form 20-F for the year ended December 31, 2024 (File: 001-39151) filed with the SEC on April 15, 2025)</u></a>
8.1*	<a href="#"><u>List of Principal Subsidiaries and Consolidated Affiliated Entities</u></a>
11.1	<a href="#"><u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-234411) filed with the SEC on October 31, 2019)</u></a>
11.2	<a href="#"><u>Insider Trading Policy (incorporated herein by reference to Exhibit 11.2 of our Annual Report on Form 20-F for the year ended December 31, 2024 (File: 001-39151) filed with the SEC on April 15, 2025)</u></a>
12.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1**	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2**	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Consent of PricewaterhouseCoopers Zhong Tian LLP</u></a>
15.2*	<a href="#"><u>Consent of Zhong Lun Law Firm</u></a>
15.3*	<a href="#"><u>Consent of Maples and Calder (Hong Kong) LLP</u></a>
97.1	<a href="#"><u>Incentive Compensation Recoupment Policy (incorporated herein by reference to Exhibit 97.1 of our Annual Report on Form 20-F for the year ended December 31, 2023 (File No. 001- 39151) filed with the SEC on April 15, 2024)</u></a>

<u>Exhibit Number</u>	<u>Description of Document</u>
101.INS	Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	Cover page formatted as Inline XBRL and contained in Exhibit 101
* ** #	<p>Filed herewith</p> <p>Furnished herewith</p> <p>Certain personally identifiable information in this exhibit has been omitted pursuant to Item 601(a)(6) of Regulation S-K, and certain information has been omitted on the basis that the Company customarily and actually treats that information as private or confidential and the omitted information is not material, pursuant to Item 601(b)(10) of Regulation S-K.</p>

## 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.

### **EHang Holdings Limited**

By: /s/ Huazhi Hu  
Name: Huazhi Hu  
Title: Chairman of the Board of Directors and Chief  
Executive Officer

Date: May 15, 2026

**EHANG HOLDINGS LIMITED**  
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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of EHang Holdings Limited

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of EHang Holdings Limited and its subsidiaries (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive loss, 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 did not maintain, 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 because a material weakness in internal control over financial reporting existed as of that date related to the Company’s lack of effective controls over revenue from air mobility solutions. Specifically, the Company did not effectively assess the probability to collect substantially all of the consideration from the customers prior to recognizing revenue.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2025 consolidated financial statements, and our opinion regarding the effectiveness of the Company’s internal control over financial reporting does not affect our opinion on those consolidated financial statements.

### *Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for current expected credit loss in 2023.

### ***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 report referred to above. 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.

#### *Revenue recognition - air mobility solutions related to products*

As described in Notes 2(s) and 14 to the consolidated financial statements, the Company's air mobility solutions revenue related to products was RMB390.5 million. Revenues from air mobility solutions related to products are primarily from the sales of passenger-grade UAVs and its software. As the UAVs and software are highly interdependent, the entire bundle of promised goods is considered one performance obligation within the context of the contract. The Company recognizes revenue for this single performance obligation at a point in time when control to the bundle of goods transfers to the customer and other conditions as set out in ASC 606 are met. When the Company contracts with a customer and management determines that the collection of substantially all of the consideration from a customer is not probable at contract inception, no contract is established, and the Company recognizes the consideration received from the customer as revenue only when the Company has transferred control of the corresponding goods, has no obligation under the contract to transfer additional goods, and the consideration received is nonrefundable.

The principal considerations for our determination that performing procedures relating to revenue recognition from air mobility solutions related to products is a critical audit matter are (i) the significant judgment made by management in determining whether collection of substantially all of the consideration from customers is probable to support the establishment of contracts with customers prior to revenue recognition; and (ii) a high degree of auditor judgement, subjectivity and effort in performing procedures related to the revenue recognition from air mobility solutions related to products. As described in the "Opinions on the Financial Statements and Internal Control over Financial Reporting" section, a material weakness was identified related to this matter.

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 the revenue recognition process, including controls over the recognition of air mobility solutions related to products revenues. These procedures also included, among others (i) evaluating management's assessment and supporting documents for determining whether the collection of substantially all of the consideration from customers is probable to support the establishment of contracts; (ii) determining whether the revenue recognition criteria were fulfilled upon receipt of partial consideration from the customers before a contract is established; (iii) testing revenue recognized for a sample of revenue transactions by obtaining and inspecting source documents, such as sales contracts, goods delivery notes, acknowledgement receipts from customers, and proof of delivery documentation; (iv) obtaining and inspecting a sample of cash receipts; (v) confirming a sample of outstanding accounts receivable as of December 31, 2025; (vi) performing site visits and interviews with certain selected customers to corroborate with the Company's records of products delivered.

/s/ PricewaterhouseCoopers Zhong Tian LLP  
Shenzhen, the People's Republic of China  
May 15, 2026

We have served as the Company's auditor since 2021.

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	As of December 31,		
		2024	2025	US\$
		RMB	RMB	Note 2(e)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	2(f)	610,877	256,400	36,665
Short-term investments	2(i), 4	513,683	843,232	120,581
Restricted short-term deposits	2(g)	30,295	29,655	4,241
Accounts receivable, net of expected credit losses of RMB103,340 and RMB111,259 (US\$15,910) as of December 31, 2024 and 2025, respectively (including amounts due from related parties, net, of RMB458 and RMB5,188 (US\$741) as of December 31, 2024 and 2025)	5, 18	58,180	111,670	15,969
Inventories	6	75,687	101,634	14,533
Prepayments and other current assets (including amounts due from a related party, net, of nil and RMB2,070 (US\$296) as of December 31, 2024 and 2025)	7	68,298	140,922	20,151
<b>Total current assets</b>		<b>1,357,020</b>	<b>1,483,513</b>	<b>212,140</b>
<b>Non-current assets</b>				
Property and equipment, net	8	60,224	258,050	36,901
Right-of-use assets, net	2(y)	128,433	116,468	16,655
Land use right, net	2(m)	—	11,347	1,623
Intangible assets, net	2(n)	2,617	2,713	388
Investments accounted for using equity method	9	23,897	28,849	4,125
Other investments	10	9,867	45,330	6,482
Deferred tax assets	17	—	6,969	997
Other non-current assets		2,440	38,294	5,476
<b>Total non-current assets</b>		<b>227,478</b>	<b>508,020</b>	<b>72,647</b>
<b>Total assets</b>		<b>1,584,498</b>	<b>1,991,533</b>	<b>284,787</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	As of December 31,		
		2024	2025	
		RMB	RMB	US\$
				Note 2(e)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b> (including current liabilities of the consolidated variable interest entity and its subsidiaries (“VIEs”) without recourse to EHang Holdings Limited (the “Company”) of RMB38,837 and RMB45,285 (US\$6,475) as of December 31, 2024 and 2025, respectively)				
Short-term bank loans	12	64,250	229,611	32,834
Accounts payable		127,446	132,509	18,949
Contract liabilities (including amounts due to related parties of RMB2,000 and RMB2,307 (US\$330) as of December 31, 2024 and 2025)	18	62,561	60,839	8,700
Current portion of long-term bank loans	12	10,500	9,800	1,401
Mandatorily redeemable non-controlling interests	13	40,000	—	—
Accrued expenses and other liabilities	11	150,196	263,439	37,671
Current portion of lease liabilities	2(y)	12,527	16,278	2,328
Deferred income		1,504	817	117
Deferred government subsidies	2(z)	1,209	684	98
Income taxes payable		150	1,820	260
<b>Total current liabilities</b>		<b>470,343</b>	<b>715,797</b>	<b>102,358</b>
<b>Non-current liabilities</b> (including non-current liabilities of the VIEs without recourse to the Company of RMB7,588 and RMB5,588 (US\$799) as of December 31, 2024 and 2025, respectively)				
Long-term bank loans	12	20,500	82,700	11,826
Deferred tax liabilities	17	292	292	42
Unrecognized tax benefit	17	5,480	5,480	784
Lease liabilities	2(y)	125,719	114,246	16,337
Other non-current liabilities		6,350	4,676	669
<b>Total non-current liabilities</b>		<b>158,341</b>	<b>207,394</b>	<b>29,658</b>
<b>Total liabilities</b>		<b>628,684</b>	<b>923,191</b>	<b>132,016</b>
<b>Commitments and Contingencies</b>	24			

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	As of December 31,		
		2024	2025	US\$
		RMB	RMB	Note 2(e)
<b>Shareholders' equity</b>				
Class A ordinary shares (US\$0.0001 par value; 1,904,577,337 shares authorized, 106,532,825 shares issued and 104,828,035 shares outstanding as of December 31, 2024; 1,904,577,337 shares authorized, 111,736,100 shares issued and 111,215,614 shares outstanding as of December 31, 2025)	19	66	68	10
Class B ordinary shares (US\$0.0001 par value; 45,422,663 shares authorized, 39,026,560 shares issued and outstanding as of December 31, 2024 and 2025)	19	24	24	3
Additional paid-in capital	19	2,923,178	3,335,371	476,952
Treasury shares		(10,085)	(10,085)	(1,442)
Statutory reserves		1,772	3,302	472
Accumulated deficit		(1,984,851)	(2,262,358)	(323,513)
Accumulated other comprehensive income	19	25,539	2,605	373
<b>Total EHang Holdings Limited shareholders' equity</b>		<b>955,643</b>	<b>1,068,927</b>	<b>152,855</b>
Non-controlling interests		171	(585)	(84)
<b>Total shareholders' equity</b>		<b>955,814</b>	<b>1,068,342</b>	<b>152,771</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,584,498</b>	<b>1,991,533</b>	<b>284,787</b>

The accompanying notes are an integral part of these consolidated financial statements.

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for per share data and per ADS data)

	Note	For the year ended December 31,			
		2023 RMB	2024 RMB	2025 RMB US\$ Note 2(e)	
<b>Revenues</b>					
Products (including related party revenues of RMB11,859, RMB133 and RMB13,316 (US\$1,904) for the years ended December 31, 2023, 2024 and 2025)	14, 18	100,960	440,641	405,037	57,919
Services (including related party revenues of nil, RMB1,225 and RMB394 (US\$56) for the years ended December 31, 2023, 2024 and 2025)	14, 18	16,466	15,511	12,944	1,851
<b>Total revenues</b>		<b>117,426</b>	<b>456,152</b>	<b>417,981</b>	<b>59,770</b>
<b>Cost of revenues</b>					
Products		(34,304)	(171,035)	(157,958)	(22,588)
Services		(7,811)	(5,171)	(2,869)	(410)
<b>Total cost of revenues</b>		<b>(42,115)</b>	<b>(176,206)</b>	<b>(160,827)</b>	<b>(22,998)</b>
<b>Gross profit</b>		<b>75,311</b>	<b>279,946</b>	<b>257,154</b>	<b>36,772</b>
<b>Operating expenses</b>					
Sales and marketing expenses		(60,389)	(131,027)	(122,020)	(17,449)
General and administrative expenses		(150,092)	(233,398)	(269,648)	(38,559)
Research and development expenses		(167,315)	(199,465)	(194,581)	(27,825)
<b>Total operating expenses</b>		<b>(377,796)</b>	<b>(563,890)</b>	<b>(586,249)</b>	<b>(83,833)</b>
Other operating income	2(z)	6,233	29,869	12,383	1,771
<b>Operating loss</b>		<b>(296,252)</b>	<b>(254,075)</b>	<b>(316,712)</b>	<b>(45,290)</b>
<b>Other (expenses) income</b>					
Interest and investment income		8,484	30,599	58,588	8,378
Interest expenses		(2,930)	(3,375)	(5,976)	(855)
Amortization of debt discounts		(12,023)	—	—	—
Foreign currency exchange gains (losses), net		394	(1,188)	1,174	168
Other non-operating income		1,966	4,670	2,810	402
Other non-operating expenses	16	(214)	(1,924)	(15,456)	(2,210)
<b>Total other (expenses) income</b>		<b>(4,323)</b>	<b>28,782</b>	<b>41,140</b>	<b>5,883</b>
<b>Loss before income tax and loss from equity method investments</b>		<b>(300,575)</b>	<b>(225,293)</b>	<b>(275,572)</b>	<b>(39,407)</b>
Income tax (expenses) benefits	17	(206)	(386)	4,409	630
<b>Loss before loss from equity method investments</b>		<b>(300,781)</b>	<b>(225,679)</b>	<b>(271,163)</b>	<b>(38,777)</b>
Loss from equity method investments		(1,560)	(4,353)	(5,248)	(750)
<b>Net loss</b>		<b>(302,341)</b>	<b>(230,032)</b>	<b>(276,411)</b>	<b>(39,527)</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for per share data and per ADS data)

	Note	For the year ended December 31,			
		2023 RMB	2024 RMB	2025 RMB	US\$ Note 2(e)
<b>Net loss</b>		<b>(302,341)</b>	<b>(230,032)</b>	<b>(276,411)</b>	<b>(39,527)</b>
Net loss attributable to non-controlling interests		641	256	434	62
<b>Net loss attributable to EHang Holdings Limited’s ordinary shareholders</b>	21	<b>(301,700)</b>	<b>(229,776)</b>	<b>(275,977)</b>	<b>(39,465)</b>
<b>Net loss per ordinary share</b>					
Basic and diluted	21	(2.48)	(1.71)	(1.88)	(0.27)
<b>Net loss per ADS (2 ordinary shares equal to 1 ADS)</b>					
Basic and diluted	21	(4.96)	(3.42)	(3.76)	(0.54)
<b>Shares used in net loss per ordinary share computation (in thousands of shares)</b>					
Basic and diluted	21	121,494	134,367	146,665	146,665
<b>Other comprehensive income (loss)</b>					
Foreign currency translation adjustments, net of nil tax		69	10,460	(22,934)	(3,280)
<b>Total other comprehensive income (loss), net of tax</b>		69	10,460	(22,934)	(3,280)
<b>Comprehensive loss</b>		<b>(302,272)</b>	<b>(219,572)</b>	<b>(299,345)</b>	<b>(42,807)</b>
Comprehensive loss attributable to non-controlling interests		641	256	434	62
<b>Comprehensive loss attributable to EHang Holdings Limited</b>		<b>(301,631)</b>	<b>(219,316)</b>	<b>(298,911)</b>	<b>(42,745)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Number of treasury shares	Treasury shares RMB	Additional paid-in capital RMB	Accumulated other comprehensive income RMB	Statutory reserves RMB	Accumulated deficit RMB	Total EHang Holdings Limited shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
		Number of ordinary shares	Amount RMB	Number of ordinary shares	Amount RMB									
<b>Balance as of December 31, 2022</b>		<b>78,300,387</b>	<b>51</b>	<b>39,026,560</b>	<b>24</b>	<b>(871,000)</b>	<b>—</b>	<b>1,558,356</b>	<b>15,010</b>	<b>1,191</b>	<b>(1,450,374)</b>	<b>124,258</b>	<b>420</b>	<b>124,678</b>
Adoption of ASC Topic 326	2(j)	—	—	—	—	—	—	—	—	—	(2,420)	(2,420)	(2)	(2,422)
<b>Balance as of January 1, 2023</b>		<b>78,300,387</b>	<b>51</b>	<b>39,026,560</b>	<b>24</b>	<b>(871,000)</b>	<b>—</b>	<b>1,558,356</b>	<b>15,010</b>	<b>1,191</b>	<b>(1,452,794)</b>	<b>121,838</b>	<b>418</b>	<b>122,256</b>
Issuance of Class A ordinary shares	19	7,870,938	5	—	—	—	—	242,399	—	—	—	242,404	—	242,404
Shares issued to depository bank	19	236,000	—	—	—	(236,000)	—	—	—	—	—	—	—	—
Issuance of ordinary shares for the vested restricted share units	19	1,598,776	—	—	—	536,692	—	—	—	—	—	—	—	—
Net loss		—	—	—	—	—	—	—	—	—	(301,700)	(301,700)	(641)	(302,341)
Share based compensation	15	—	—	—	—	—	—	151,485	—	—	—	151,485	—	151,485
Arrangement for employee stock withholding tax	19	—	—	—	—	108,792	—	7,795	—	—	—	7,795	—	7,795
Acquisition of non-controlling interests	20	—	—	—	—	—	—	(8,099)	—	—	—	(8,099)	650	(7,449)
Other comprehensive loss		—	—	—	—	—	—	—	69	—	—	69	—	69
Appropriation of statutory reserve	2(ad)	—	—	—	—	—	—	—	—	48	(48)	—	—	—
<b>Balance as of December 31, 2023</b>		<b>88,006,101</b>	<b>56</b>	<b>39,026,560</b>	<b>24</b>	<b>(461,516)</b>	<b>—</b>	<b>1,951,936</b>	<b>15,079</b>	<b>1,239</b>	<b>(1,754,542)</b>	<b>213,792</b>	<b>427</b>	<b>214,219</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),  
except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Number of treasury shares	Treasury shares RMB	Additional paid-in capital RMB	Accumulated other comprehensive income RMB	Statutory reserves RMB	Accumulated deficit RMB	Total EHang Holdings Limited shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
		Number of ordinary shares	Amount RMB	Number of ordinary shares	Amount RMB									
<b>Balance as of December 31, 2023</b>		<b>88,006,101</b>	<b>56</b>	<b>39,026,560</b>	<b>24</b>	<b>(461,516)</b>	<b>—</b>	<b>1,951,936</b>	<b>15,079</b>	<b>1,239</b>	<b>(1,754,542)</b>	<b>213,792</b>	<b>427</b>	<b>214,219</b>
Shares issued to depository bank	19	11,578,890	—	—	—	(11,578,890)	—	—	—	—	—	—	—	—
Issuance of Class A ordinary shares	19	3,328,334	10	—	—	9,231,510	—	693,586	—	—	—	<b>693,596</b>	—	<b>693,596</b>
Issuance of ordinary shares for the vested restricted share units and vested share options	19	3,619,500	—	—	—	1,242,176	—	—	—	—	—	—	—	—
Net loss		—	—	—	—	—	—	—	—	—	(229,776)	<b>(229,776)</b>	(256)	<b>(230,032)</b>
Share based compensation	15	—	—	—	—	—	—	273,124	—	—	—	<b>273,124</b>	—	<b>273,124</b>
Arrangement for employee stock withholding tax	19	—	—	—	—	61,930	—	4,532	—	—	—	<b>4,532</b>	—	<b>4,532</b>
Share repurchase	19	—	—	—	—	(200,000)	(10,085)	—	—	—	—	<b>(10,085)</b>	—	<b>(10,085)</b>
Other comprehensive loss		—	—	—	—	—	—	—	10,460	—	—	<b>10,460</b>	—	<b>10,460</b>
Appropriation of statutory reserve	2(ad)	—	—	—	—	—	—	—	—	533	(533)	—	—	—
<b>Balance as of December 31, 2024</b>		<b>106,532,825</b>	<b>66</b>	<b>39,026,560</b>	<b>24</b>	<b>(1,704,790)</b>	<b>(10,085)</b>	<b>2,923,178</b>	<b>25,539</b>	<b>1,772</b>	<b>(1,984,851)</b>	<b>955,643</b>	<b>171</b>	<b>955,814</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**  
(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),  
except for number of shares and per share data)

	Note	Class A ordinary shares		Class B ordinary shares		Number of treasury shares	Treasury shares RMB	Additional paid-in capital RMB	Accumulated other comprehensive income RMB	Statutory reserves RMB	Accumulated deficit RMB	Total EHang Holdings Limited shareholders' equity RMB	Non-controlling interests RMB	Total shareholders' equity RMB
		Number of ordinary shares	Amount RMB	Number of ordinary shares	Amount RMB									
<b>Balance as of December 31, 2024</b>		<b>106,532,825</b>	<b>66</b>	<b>39,026,560</b>	<b>24</b>	<b>(1,704,790)</b>	<b>(10,085)</b>	<b>2,923,178</b>	<b>25,539</b>	<b>1,772</b>	<b>(1,984,851)</b>	<b>955,643</b>	<b>171</b>	<b>955,814</b>
Shares issued to depository bank	19	2,400,000	—	—	—	(2,400,000)	—	—	—	—	—	—	—	—
Issuance of Class A ordinary shares	19	—	2	—	—	2,769,184	—	165,567	—	—	—	165,569	—	165,569
Issuance of ordinary shares for the vested restricted share units and vested share options	19	2,803,275	—	—	—	811,138	—	—	—	—	—	—	—	—
Net loss		—	—	—	—	—	—	—	—	—	(275,977)	(275,977)	(434)	(276,411)
Share based compensation	15	—	—	—	—	—	—	246,158	—	—	—	246,158	—	246,158
Arrangement for employee stock withholding tax	19	—	—	—	—	3,982	—	76	—	—	—	76	—	76
Capital injection by non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	70	70
Transaction with non-controlling interests		—	—	—	—	—	—	392	—	—	—	392	(392)	—
Other comprehensive loss		—	—	—	—	—	—	—	(22,934)	—	—	(22,934)	—	(22,934)
Appropriation of statutory reserve	2(ad)	—	—	—	—	—	—	—	—	1,530	(1,530)	—	—	—
<b>Balance as of December 31, 2025</b>		<b>111,736,100</b>	<b>68</b>	<b>39,026,560</b>	<b>24</b>	<b>(520,486)</b>	<b>(10,085)</b>	<b>3,335,371</b>	<b>2,605</b>	<b>3,302</b>	<b>(2,262,358)</b>	<b>1,068,927</b>	<b>(585)</b>	<b>1,068,342</b>
<b>Balance as of December 31, 2025 (US\$)</b>		<b>111,736,100</b>	<b>10</b>	<b>39,026,560</b>	<b>3</b>	<b>(520,486)</b>	<b>(1,442)</b>	<b>476,952</b>	<b>373</b>	<b>472</b>	<b>(323,513)</b>	<b>152,855</b>	<b>(84)</b>	<b>152,771</b>

The accompanying notes are an integral part of these consolidated financial statements.

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	For the years ended December 31,			
		2023	2024	2025	
		RMB	RMB	RMB	US\$ Note 2(e)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net loss		(302,341)	(230,032)	(276,411)	(39,527)
Adjustments to reconcile net loss to net cash (used in) generated from operating activities					
Depreciation of property and equipment	8	12,442	12,774	18,954	2,710
Amortization of intangible assets		787	922	972	139
Amortization of right-of-use assets		8,131	6,103	10,068	1,440
Share-based compensation	15	151,485	273,124	246,158	35,200
Losses on disposal of property and equipment	2(l)	138	682	34	5
Amortization of debt discounts		12,023	—	—	—
Interest expenses		—	(707)	(25)	(4)
Interest and investment income		(3,361)	(11,103)	(47,429)	(6,782)
Losses from equity method investments	9	1,560	4,353	5,248	750
Current expected credit losses		13,691	12,790	7,938	1,135
Write-downs of inventories	2(k)	460	921	1,482	212
Deferred tax assets		—	—	(6,969)	(997)
Foreign currency exchange (gains) losses		(394)	49	(372)	(53)
Changes in operating assets and liabilities					
Accounts receivable		(20,523)	(30,089)	(61,428)	(8,784)
Inventories		7,816	(21,590)	(35,667)	(5,100)
Prepayments and other assets		10,728	(29,515)	(101,575)	(14,525)
Accounts payable		5,445	92,345	5,023	718
Contract liabilities		17,847	25,392	(1,722)	(246)
Accrued expenses and other liabilities		(192)	57,551	61,583	8,808
Lease liabilities		(3,708)	(2,665)	(5,825)	(833)
Deferred income		(1,464)	(1,531)	(687)	(98)
Deferred government subsidies		998	(1,936)	(526)	(75)
Income taxes payable		22	121	1,670	239
<b>Net cash flow (used in) generated from operating activities</b>		<b>(88,410)</b>	<b>157,959</b>	<b>(179,506)</b>	<b>(25,668)</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	For the years ended December 31,			
		2023	2024	2025	
		RMB	RMB	RMB	US\$ Note 2(e)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of non-controlling interests	20	(6,920)	—	—	—
Purchase of short-term investments		(56,694)	(885,706)	(729,153)	(104,267)
Redemption of short-term investments		—	444,759	418,728	59,877
Payments for short-term deposits		(14,164)	(130,071)	—	—
Proceeds received from maturity of short-term deposits		—	143,782	—	—
Payments for restricted short-term deposits		(33,437)	(39,486)	(29,126)	(4,165)
Proceeds received from maturity of restricted short-term deposits		—	43,942	29,486	4,216
Purchase of property and equipment		(7,832)	(38,966)	(147,903)	(21,150)
Purchases of land use rights		—	—	(11,409)	(1,631)
Acquisition of intangible assets		(1,255)	(1,112)	(1,068)	(153)
Cash paid for investments accounted for using equity method and other investments		(10,090)	(19,650)	(34,700)	(4,962)
Loan to a related party		—	—	(5,000)	(715)
Receipt of loans receivable from a related party		—	—	3,000	429
Receipt of loans receivable from a third party		1,700	—	—	—
<b>Net cash flow used in investing activities</b>		<b>(128,692)</b>	<b>(482,508)</b>	<b>(507,145)</b>	<b>(72,521)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from short-term bank loans	12	69,090	64,250	249,143	35,627
Repayment of short-term bank loans		(49,794)	(69,090)	(83,758)	(11,977)
Proceeds from long-term bank loans	12	10,000	25,000	75,000	10,725
Repayment of long-term bank loans		(14,154)	(6,846)	(13,500)	(1,930)
Proceeds from short-term debts		—	90,000	—	—
Repayment of short-term debts		(69,861)	(90,000)	—	—
Capital injection by non-controlling interests		—	—	70	10
Repayment of Mandatorily redeemable non-controlling interests	13	—	—	(40,000)	(5,720)
Payment of share repurchase	19	—	(10,085)	—	—
Capitalized professional service fee related to financing transactions		—	—	(16,334)	(2,336)
Proceeds from issuance of Class A ordinary shares, net of issuance costs		250,199	698,128	166,810	23,853
<b>Net cash provided by financing activities</b>		<b>195,480</b>	<b>701,357</b>	<b>337,431</b>	<b>48,252</b>
Effect of exchange rate changes on cash and cash equivalents		562	5,819	(5,257)	(752)
Net (decrease) increase in cash and cash equivalents		(21,060)	382,627	(354,477)	(50,689)
Cash and cash equivalents at the beginning of the years		249,310	228,250	610,877	87,354
<b>Cash and cash equivalents at the end of the years</b>		<b>228,250</b>	<b>610,877</b>	<b>256,400</b>	<b>36,665</b>

**EHANG HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

	Note	For the years ended December 31,			
		2023 RMB	2024 RMB	2025 RMB US\$	
		Note 2(e)			
<b>Supplemental disclosures of cash flow information</b>					
Interest paid		2,183	3,400	6,663	953
Income taxes paid		184	101	879	126
<b>Non-cash investing and financing activities</b>					
Loans receivable settled by accounts payable		5,800	—	—	—
Purchase of property and equipment included in accrued expenses and other liabilities		1,401	1,198	45,768	6,545

The accompanying notes are an integral part of these consolidated financial statements.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

**1. Organization and Nature of Operations**

**(a) Principal activities**

EHang Holdings Limited (the “Company”) was incorporated in the Cayman Islands on December 23, 2014 under the Cayman Islands Companies Law as an exempted company with limited liability. On December 12, 2019, the Company completed its initial public offering (the “IPO”) and got listed on Nasdaq Global Market. The Company through its consolidated subsidiaries, variable interest entity (the “VIE”) and the subsidiaries of the VIE (collectively, the “Group”) are principally engaged in the research and development, manufacturing, sales and operations of unmanned aerial vehicles (“UAVs”). The Group established its manufacturing facility in Yunfu City in the People’s Republic of China (“PRC”).

**(b) Principal subsidiaries and VIEs**

As of December 31, 2025, the Company’s major subsidiaries, VIE and the subsidiaries of the VIE (“VIEs”, refer to VIE and its subsidiaries as a whole, where appropriate) are as follows:

Entities	Date of incorporation establishment	Place of incorporation establishment	Equity interest held	Principal activities
<u>Subsidiaries:</u>				
Ehfly Technology Limited (“Ehfly”)	December 5, 2014	Hong Kong	100%	Product sales, investment holding
EHang Intelligent Equipment Co., Ltd. (“EHang Intelligent” or the “WFOE”)	October 15, 2015	PRC	100%	Research and development, manufacturing and product sales
Yunfu EHang Intelligent Technology Limited (“EHang Yunfu”)	June 15, 2020	PRC	96.2%	Research and development, manufacturing and product sales
Entities	Date of incorporation establishment	Place of incorporation establishment		Principal activities
<u>Variable Interest Entity</u>				
Guangzhou EHang Intelligent Technology Co., Ltd. (“EHang GZ” or the “VIE”)	August 8, 2014	PRC		Research and development, manufacturing and product sales
<u>VIE’s Subsidiaries</u>				
Guangdong EHang General Aviation Co., Ltd. (“EHang Aviation”)	March 11, 2021	PRC		Operational flight services
Guangdong EHang Egret Media Technology Co., Ltd (“EHang Egret GD”)	July 6, 2016	PRC		Operational aerial media solutions services

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
**except for number of shares and per share data)**

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**1. Organization and Nature of Operations (Continued)**

**(b) Principal subsidiaries and VIEs (Continued)**

**Summary of the VIE contractual arrangements (the “VIE Contractual Agreements”)**

The Group conducts all of its business in China through its subsidiaries and the VIEs in the PRC. The Company’s subsidiary EHang Intelligent, or the WFOE, has entered into contractual arrangements with the VIE and its shareholders described below, which are referred to as the VIE Contractual Agreements. During the years ended December 31, 2023 and 2024, and for the eight-month ended August 31, 2025, the shareholders of the VIE (the “Nominee Shareholders”) are Mr. Shuai Feng and Mr. Weixian Xia, who are the Group’s employees. In September 2025, Mr. Shuai Feng, completed transfer all of his equity interests in the VIE to Mr. Huazhi Hu and concurrently, all rights and obligations of Mr. Shuai Feng under the VIE Contract Agreements were assigned to Mr. Huazhi Hu. After the transfer, Mr. Huazhi Hu and Mr. Weixian Xia has become the Nominee Shareholders. Through the Contractual Agreements, the Nominee Shareholders of the VIE effectively assigned all of their voting rights underlying their equity interests in the VIE to the WFOE, a wholly-owned entity of the Company, which further assigned the voting rights underlying their equity interests in the VIE to the Company. Therefore, the Company has the power to direct the activities of the VIE that most significantly impact their economic performance. The Company also has the right to receive economic benefits via the WFOE, and the obligation to absorb losses of the VIE, that potentially could be significant to the VIE. Through the VIE Contractual Agreements, the Company is considered the primary beneficiary of the VIEs for accounting purposes only and thus consolidates each of these entities under ASC810-10, *Consolidation: Overall*.

The following is a summary of the Contractual Agreements and its amendments among the Nominee Shareholders, the VIE, the WFOE and the Company:

**Special Agreement on the Capital Increase Arrangement of the VIE**

The WFOE has granted interest-free loans with an aggregate amount of RMB60,000 to the Nominee Shareholders of the VIE for the sole purpose of providing funds necessary for the capital increase to the VIE. The loans are repayable by such Nominee Shareholders through a transfer of their equity interests in the VIE to the WFOE, in proportion to the amount of the loans to be repaid.

**Power of Attorney and Shareholders Voting Proxy Agreement**

Pursuant to the Power of Attorney and Shareholders Voting Proxy Agreement entered into amongst the Nominee Shareholders, the VIE and the WFOE, the Nominee Shareholders authorized the WFOE to act on behalf of the Nominee Shareholders as exclusive agent and attorney with respect to all matters concerning the VIE’s equity interests, including but not limited to: (1) propose, convene and preside over the shareholders’ meetings of the VIE; (2) attend shareholders’ meetings of the VIE; (3) exercise all the shareholders’ rights, including voting rights; and (4) designate and appoint the senior management members of the VIE. The agreement stipulates that failure to remedy a breach within a reasonable period or ten days after written notice may result in liability. If the Nominee Shareholders or the VIE breach the agreement, the WFOE is entitled to terminate it and claim compensation. If the WFOE breaches, the non-defaulting party may claim damages but does not have the right to terminate the agreement unless required by law. The proxy is irrevocable and continuously valid from the date of execution. The WFOE is entitled to re-authorize or assign its rights related to the equity interest to any other person or entity at its own discretion and without giving prior notice to the Nominee Shareholders or obtaining their consents. In 2019, the WFOE reassigned its rights under the Power of Attorney and Shareholders Voting Proxy Agreement to the Company, pursuant to the Commitment Letter below.

**Exclusive Option Agreements**

Pursuant to the Exclusive Option Agreements entered amongst the Nominee Shareholders, the VIE and WFOE, the Nominee Shareholders granted to WFOE or their designees an irrevocable and exclusive right to purchase all or part of the equity interests held by the Nominee Shareholders in the VIE at the WFOE’s sole discretion, to the extent permitted under the PRC laws, at an amount equal to the minimum consideration permitted under the applicable PRC law and administrative regulations. Any proceeds received by the Nominee Shareholders from the exercise of the options shall be remitted to the WFOE or its designated party, to the extent permitted under PRC laws. In addition, the VIE and the Nominee Shareholders have agreed that without prior written consent of the WFOE, they will not: (i) create any pledge or encumbrance on their equity interests in the VIE, (ii) transfer or otherwise dispose of their equity interests in the VIE, or (iii) request any distribution of profits, income or any form of profit sharing, and any such assets that have been transferred to the shareholders of the VIE shall be returned to the WFOE or any entity designated by the WFOE. In addition, the Nominee Shareholders undertake that, upon the winding up of the VIE, all assets obtained by them shall be transferred to the WFOE or any entity designated by the WFOE at nil consideration or at the lowest price permissible under applicable PRC laws. The term of the agreement remains effective as long as each Nominee Shareholder remains a shareholder of the VIE. The WFOE may terminate the agreement at its sole discretion, whereas under no circumstances may the VIE or the Nominee Shareholders terminate the agreement.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
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**1. Organization and Nature of Operations (Continued)**

**(b) Principal subsidiaries and VIEs (Continued)**

**Summary of the VIE contractual arrangements (the “VIE Contractual Agreements”) (Continued)**

***Exclusive Technical Consulting and Service Agreement***

Pursuant to the Exclusive Technical Consulting and Service Agreement and the Exclusive Services Agreement between the WFOE and the VIE, the WFOE has the exclusive right to provide technical consulting and services to the VIE and its subsidiaries including but not limited to those relating to the development, manufacturing and sales of intelligent aerial vehicles. Without the WFOE’s prior written consent, the VIE shall not, directly or indirectly, obtain the same or similar technical consulting services as provided under this agreement from any third party. In return, the VIE agrees to pay a service fee equal to 100% of the consolidated net profits of the VIE after the VIE turns cumulative profitable and after certain expenses. The WFOE has sole discretion in determining the service fee charged to the VIE under this agreement. The WFOE will have exclusive ownership of all intellectual property rights created by performance of this agreement. The Exclusive Technical Consulting and Service Agreement and the Exclusive Services Agreement are valid for 10 years and shall be automatically renewed for successive ten-year periods without limitation on the number of renewals. This agreement can be terminated by the WFOE at any time without cause but cannot be terminated by the VIE.

***Share Pledge Agreements***

Pursuant to the Share Pledge Agreements entered amongst the WFOE and the Nominee Shareholders, the Nominee Shareholders have pledged their entire equity interests in the VIE to the WFOE in favor of the WFOE to secure the VIE and their obligations under the various contractual agreements, including the Exclusive Technical Consulting and Service Agreements, the Exclusive Services Agreement, the Shareholders Voting Proxy Agreement and Exclusive Option Agreements described above. The WFOE, as pledgee, shall have the right to collect dividends generated by the pledged equity interests during the term of the pledge. If the Nominee Shareholders breach their respective contractual obligations under the Share Pledge Agreements, the WFOE, as pledgee, will be entitled to rights, including the right to dispose of the pledged equity interests entirely or partially. The Nominee Shareholders of the VIE agree not to create any encumbrance on or otherwise transfer or dispose of their respective equity interests in the VIE, without the prior consent of the WFOE. The Share Pledge Agreements will remain effective until the earlier of: (i) all the contractual obligations under the relevant agreement have been satisfied in full, (ii) the WFOE exercises its unilateral and unconditional right to terminate the share pledge agreements, or (iii) it is terminated as required by applicable PRC laws and regulations. The Company has completed the registration of all such share pledge of Mr. Weixian Xia and Mr. Huazhi Hu in March 2021 and September 2025, respectively, with the relevant office of Administration for the Industry and Commerce in accordance with the PRC Property Rights Law.

***Commitment Letter in Respect of Shareholders Voting Proxy and Provision of Financial Support***

Pursuant to the Commitment Letter in Respect of Shareholders Voting Proxy and Provision of Financial Support (“Commitment Letter”), the WFOE irrevocably and unconditionally commits to execute its rights and obligations under the Power of Attorney and Shareholders Voting Proxy Agreement under the instruction of the Company. In addition, the Company is obligated and undertakes to provide unlimited financial support to the VIE, to the extent permissible under applicable PRC laws and regulations. Such financial support shall be interest-free and without a fixed term, and shall not be subject to early repayment unless with the prior written consent of the Company.

Based on the opinion of the Company’s PRC legal counsel, the ownership structures of the WFOE and the VIE are in compliance with applicable PRC laws or regulations currently in effect; and each of the VIE Contractual Agreements is valid, legal and binding on the parties thereto under applicable PRC Laws currently in effect, and each party to the VIE Contractual Agreements is entitled to assert its respective rights and is obligated to perform its respective duties in accordance with the terms and conditions of each VIE Contractual Agreement, subject to applicable PRC Laws currently in effect.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

**1. Organization and Nature of Operations (Continued)**

**(b) Principal subsidiaries and VIEs (Continued)**

**Summary of the VIE contractual arrangements (the “VIE Contractual Agreements”) (Continued)**

However, certain uncertainties regarding the interpretation and application of current or future PRC Laws could cause the relevant regulatory authorities to find the current Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company, the WFOE or any of their current or future VIE are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, which may include, but not limited to, revocation of business and operating licenses, being required to discontinue or restrict its business operations, restriction of the Group’s right to collect revenues, being required to restructure its operations, imposition of additional conditions or requirements with which the Group may not be able to comply, or other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these or other penalties would result in a material and adverse effect on the Group’s ability to conduct its business. In addition, if the imposition of any of these government actions causes the Company to lose the rights to direct the activities of the VIE or the right to receive substantially all of the economic benefits, and the Group are not able to restructure the ownership structure and operations in a satisfactory manner, the Company would no longer be able to consolidate the VIE.

The following financial statement balances and amounts of the Group’s VIEs were included in the accompanying consolidated financial statements:

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
<b>ASSETS</b>			
Cash and cash equivalents	6,866	20,719	2,963
Accounts receivable, net	6,106	6,217	889
Inventories	834	2,319	332
Prepayments and other current assets	3,924	28,495	4,075
Amounts due from the Company and its subsidiaries	86,496	79,816	11,414
Property and equipment, net	3,436	61,259	8,760
Investments accounted for using equity method	15,459	17,622	2,520
Intangible assets, net	371	407	58
Deferred tax assets - non-current	—	3,305	473
Other non-current assets	—	15,310	2,189
<b>Total assets</b>	<b><u>123,492</u></b>	<b><u>235,469</u></b>	<b><u>33,673</u></b>
<b>LIABILITIES</b>			
Accounts payable	3,070	1,293	185
Contract liabilities	1,848	2,058	294
Current portion of long-term bank loans	2,000	2,000	286
Accrued expenses and current liabilities	31,919	39,877	5,702
Amounts due to the Company and its subsidiaries	82,179	99,244	14,192
Income taxes payable	—	57	8
Long-term bank loans	7,000	5,000	715
Unrecognized tax benefit	588	588	84
<b>Total liabilities</b>	<b><u>128,604</u></b>	<b><u>150,117</u></b>	<b><u>21,466</u></b>

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

**1. Organization and Nature of Operations (Continued)**

**(b) Principal subsidiaries and VIEs (Continued)**

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Revenues	32,808	123,960	160,250	22,915
- Third-party revenue	9,225	5,553	6,671	954
- Inter-company revenue	23,583	118,407	153,579	21,961
Net (loss) income	(5,234)	66,234	68,366	9,776
Net cash provided by operating activities	14,870	11,695	33,738	4,824
Net cash used in investing activities	(17,007)	(14,096)	(17,885)	(2,557)
Net cash (used in) provided by financing activities	(5,154)	5,154	(2,000)	(286)
Net (decrease) increase in cash and cash equivalents	(7,291)	2,753	13,853	1,981

Other than the amounts due to the Company and its subsidiaries (which are eliminated upon consolidation), all remaining liabilities of the VIE are without recourse to the primary beneficiary. The Company did not provide or intend to provide financial or other supports that are not previously contractually required to the VIEs during the years presented.

The revenue-producing assets that are held by the VIEs comprise mainly of permits, domain names, intellectual property rights, operating licenses, intangible assets and fixed assets. The VIEs contributed an aggregate of 7.86%, 1.22% and 1.60% of the Group’s consolidated revenues for the years ended December 31, 2023, 2024 and 2025, respectively, after elimination of inter-company transactions. The VIEs contributed net loss of RMB26,013, RMB51,893 and net profit of RMB52,435 (US\$7,498) of the Group’s consolidated net loss for the years ended December 31, 2023, 2024 and 2025, respectively, after elimination of inter-company transactions. There are no consolidated VIE’s assets that are pledged or collateralized for the VIE’s obligations which can only be used to settle the VIE’s obligations, except for the registered capital and the statutory reserves. Relevant PRC laws and regulations restrict the VIE from transferring a portion of its net assets, equivalent to the balance of its statutory reserves and its share capital, to the Company in the form of loans and advances or cash dividends (Note 22). Creditors of the VIE do not have recourse to the general credit of the Company for any of the liabilities of the VIE.

**(c) Liquidity and Going Concern**

The Group has been incurring losses from operations since inception. For the years ended December 31, 2023, 2024 and 2025, the Group incurred net losses of RMB302,341, RMB230,032 and RMB276,411 (US\$39,527), respectively. As of December 31, 2024 and 2025, accumulated deficits amounted to RMB1,984,851 and RMB2,262,358 (US\$323,513), respectively. Net cash used in operating activities was RMB88,410 and RMB179,506 (US\$25,668) for the years ended December 31, 2023 and 2025, and net cash generated from operating activities was RMB157,959 for the year ended December 31, 2024.

As of December 31, 2025, the Group’s balance of cash and cash equivalents, short-term investments and restricted short-term deposits were RMB256,400 (US\$36,665), RMB843,232 (US\$120,581) and RMB29,655 (US\$4,241), respectively.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
**except for number of shares and per share data)**

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**1. Organization and Nature of Operations (Continued)**

**(c) Liquidity and Going Concern (Continued)**

The Group’s liquidity is based on its ability to enhance its operating cash flow position, obtain capital financing from equity interest investors and borrow funds to fund its general operations, research and development activities and capital expenditures. The Group’s ability to continue as a going concern is dependent on management’s ability to execute its business plan successfully, which includes increasing market acceptance of the Group’s products to boost its sales volume to achieve economies of scale while applying more effective marketing strategies and cost control measures to better manage operating cash flow position and obtaining funds from outside sources of financing to generate positive financing cash flows.

Management has concluded that its existing balance of cash and cash equivalents, short-term investments and restricted short-term deposits as of December 31, 2025 provide the Group with sufficient liquidity to meet its working capital requirements and contractual (including debt) obligations for the next twelve months following the issuance of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

**2. Summary of Significant Accounting Policies**

**(a) Basis of presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) to reflect the financial position, results of operations and cash flows of the Group. Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

**(b) Principles of consolidation**

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs, for which the Company is the ultimate primary beneficiary. All significant inter-company transactions and balances between the Company, its subsidiaries, and the VIEs have been eliminated upon consolidation.

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, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIE’s economic performance, and also the Company’s obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
**except for number of shares and per share data)**

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**2. Summary of Significant Accounting Policies (Continued)**

**(c) Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and revenues and expenses during the reporting periods in the consolidated financial statements and accompanying notes. Significant estimates and assumptions reflected in the Group’s consolidated financial statements include, but not limited to expected credit losses, the determination of warranty cost, lower of cost and net realizable value of inventories, useful lives of long-lived assets, impairment of long-lived assets, valuation allowance for deferred tax assets, uncertain tax positions, fair value of share-based awards, fair value of short-term investments, incremental borrowing rates for operating lease liabilities and determination of the fair value of debt investments accounted for under the fair value option model as well as subsequent adjustments for equity investments without readily determinable fair values and not accounted for by the equity method. Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

**(d) Foreign currency**

The functional currency of the Company, Ehfly, and EHANG Investment (HK) Limited (“EHang HK”) is the United States dollar (“US\$”). The functional currency of EHang Holding GmbH (“EHang GmbH”), EHANG TECHNOLOGIES SPAIN & LATAM, S.L. (“EHang Spain”) and Ehang EUROPE SAS (“EHang France”) is the Euro. The functional currency of the Company’s PRC subsidiaries and the VIEs is the Renminbi (“RMB”). The Group uses the RMB as its reporting currency. The determination of the respective functional currency is based on the criteria set out by ASC 830, *Foreign Currency Matters*.

Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

The financial statements of the Group’ entities of which the functional currency is not RMB use the periodic average exchange rates and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders’ equity.

**(e) Convenience translation**

Amounts in US\$ are presented for the convenience of the reader and are translated at the noon buying rate of US\$1.00 to RMB6.9931 as 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 on December 31, 2025 or any other rate.

**(f) Cash and cash equivalents**

Cash and cash equivalents consist of deposits and highly liquid investments placed with banks and other financial institutions, which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
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**2. Summary of Significant Accounting Policies (Continued)**

**(g) Restricted short-term deposits**

As of December 31, 2024 and 2025, restricted short-term deposits represent time deposits placed with a reputable bank in the PRC with original maturities between three months and one year, which are pledged for issuance of letter of credit. Interest earned is classified as “interest and investment income” in the consolidated statements of comprehensive loss during the years presented.

**(h) Derivative instruments**

The Group’s derivative instruments are carried at fair value, which primarily consisted of foreign exchange forward contract. The fair values of the derivative instruments generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date. The Group selectively uses financial instruments to mitigate the risk of foreign currency exchange (losses) gains arose from the Group’s cash and cash equivalent denominated in US\$ and Euro. As the derivative instruments of foreign exchange forward contract does not qualify for hedge accounting treatment, changes in the fair value are reflected in “interest and investment income” of the consolidated statements of comprehensive loss. As of December 31, 2024 and 2025, the notional principal amounts of the outstanding foreign exchange forward contract were approximately RMB31,215 and RMB30,000 (US\$4,290), respectively. Total changes in fair value of the derivatives recorded in interest and investment income, were incomes of RMB8 and RMB314 (US\$45) for the years ended December 31, 2024 and 2025.

**(i) Short-term investments**

All highly liquid investments with original maturities of greater than three months but less than twelve months, are classified as short-term investments. Investments that are expected to be realized in cash during the next twelve months are also included in short-term investments.

Short-term investments consist primarily of investments in wealth management products, which are redeemable within one year. These investments are all designated as trading and measured at fair value and the change in fair value is recognized in “interest and investment income”.

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**2. Summary of Significant Accounting Policies (Continued)**

**(j) Current expected credit loss**

The Group’s cash and cash equivalents, restricted short-term deposits, accounts receivable, loans receivable, other receivables and other non-current assets are within the scope of ASC Topic 326. The Group adopted ASC Topic 326 and several associated ASUs on January 1, 2023 using a modified retrospective approach with a cumulative effect recorded as an decrease of shareholders’ equity in the amount of RMB2,422.

The Group has identified the relevant risk characteristics of its customers and the related receivables which include the products the Group provides, the type of business, the scale of transactions on credit terms, the nature of counterparties and the level of credit risk of the customers, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include payment terms offered in the normal course of business to customers and industry-specific factors that could impact the Group’s receivables. Additionally, external data and macroeconomic factors are also considered. When facts and circumstances indicate that the receivable no longer shares similar risk characteristics, the Group evaluates the receivables for expected credit losses on an individual basis with expected future cash flow. This is assessed at each quarter based on the Group’s specific facts and circumstances. For the years ended December 31, 2023, 2024 and 2025, the Group recorded RMB 13,691, RMB12,790 and RMB7,938 (US\$1,135) of expected credit loss, net within general and administrative expenses, respectively.

The Group considers historical credit loss rates for each category of loan receivables, other receivables and other non-current assets and also considers forward looking macroeconomic data in making its loss accrual determinations. The Group has made specific credit loss provisions on a case-by-case basis for particular aged receivable balances.

The following table summarizes the activity in the allowance for credit losses related to accounts receivable, loans receivable and other receivables for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Beginning balance prior to ASC 326	117,035			
Adoption of ASC Topic 326	2,422			
Balance at the beginning of the years	119,457	132,806	110,422	15,790
Current period provision	16,455	19,262	11,294	1,615
Reversal	(2,764)	(6,472)	(3,356)	(480)
Write-off	—	(35,194)	—	—
Acquisition of non-controlling interests	(390)	—	—	—
Others	48	20	148	21
Balance at the end of the years	<u>132,806</u>	<u>110,422</u>	<u>118,508</u>	<u>16,946</u>

The Group’s expected credit loss of cash and cash equivalents, restricted short-term deposits in banks and other non-current assets within the scope of ASC Topic 326 were immaterial.

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**2. Summary of Significant Accounting Policies (Continued)**

**(k) Inventories**

Inventories are comprised of raw materials, work in progress and finished goods. The Group’s raw materials consist of accessories and hardware parts used to produce UAVs and hardware for building the command-and-control centers. Work in progress primarily consist of UAVs and hardware parts in production which will be transferred into production cost when incurred. Finished goods primarily consist of UAVs. Cost is determined using the weighted average method and includes all costs to acquire and other costs to bring the inventories to their present location and condition. Inventories are stated at the lower of cost or net realizable value. 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. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, to record the decreases in sales prices, obsolescence or similar reductions in the estimated net realizable value. Inventory write-downs of RMB460, RMB921 and RMB1,482 (US\$212) were recognized in “cost of revenues” for the years ended December 31, 2023, 2024 and 2025.

**(l) Property and equipment, net**

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Category	Estimated useful life	Residual value
Building	18 years	5%
Mold and tooling	2-5 years	0%
Office equipment	5 years	5%
Electronic equipment	3-5 years	5%
Machinery equipment	5-10 years	5%
Transportation equipment	4 years	5%
Leasehold improvements	Shorter of lease term or the estimated useful lives of the assets	0%

Repair and maintenance costs are charged to expense as incurred, whereas the costs of renewals and betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss. The losses on the disposal of property and equipment amounted to RMB138, RMB682 and RMB34 (US\$5) were recognized in the consolidated statements of comprehensive loss for the years ended December 31, 2023, 2024 and 2025, respectively.

Direct costs that are related to the construction of property and equipment and incurred in connection with bringing the assets to their intended use are capitalized as construction-in-progress.

Construction-in-progress is transferred to specific property and equipment accounts and commences depreciation when these assets are ready for their intended use.

**(m) Land use right, net**

Land use right is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which is 46 years.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**2. Summary of Significant Accounting Policies (Continued)**

**(n) Intangible assets, net**

Intangible assets consist of software, patents and trademarks. Intangible assets with finite lives, including software, patents and trademarks are carried at acquisition cost less accumulated amortization and impairment, if any. Finite lived intangible assets are tested for impairment if impairment indicators arise.

Amortization of intangible assets with finite lives are computed using the straight-line method over the estimated useful lives as below:

Category	Estimated useful life
Software	3-5 years
Patents and trademarks	5 years

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

There were no intangible assets with indefinite lives as of December 31, 2024 and 2025.

**(o) Impairment of long-lived assets other than goodwill**

The Group evaluates its long-lived assets or asset group, including intangible assets with finite 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 that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Group evaluates for impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the long-lived assets or asset group, when the market prices are not readily available. No impairment loss was charged for long-lived assets in any of the presented periods.

**(p) Investments accounted for using equity method**

Investments in equity investees represent investments in entities in which the Group can exercise significant influence but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC 323-10, *Investments-Equity Method and Joint Ventures: Overall* (“ASC 323-10”). Under the equity method, the Group initially records its investment at cost and prospectively recognizes its proportionate share of each equity investee’s net profit or loss. The difference between the cost of the equity investee and the amount of the underlying equity in the net assets of the equity investee is recognized as goodwill included in long-term investments on the consolidated balance sheets. The Group evaluates its equity method investments for impairment under ASC 323-10. An impairment loss on equity method investments is recognized in the consolidated statements of comprehensive loss when the decline in value is determined to be other-than-temporary. No impairment was charged in any of the presented periods.

The Group eliminates its intercompany profits or losses related to transactions with investees until profits or losses are realized through transactions with third parties.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**2. Summary of Significant Accounting Policies (Continued)**

**(q) Other investments**

The Group’s other investments consist of equity investments without readily determinable fair value and debt security investments.

*Equity Investments without Readily Determinable Fair Values*

According to ASC 321, the Group elected to use the measurement alternative to measure the investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The Group’s management regularly evaluates the impairment of its investments based on the performance and financial position of the investee as well as other evidence of estimated market values. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and current and future financing needs. An impairment loss is recognized in the consolidated statements of comprehensive loss equal to the excess of the investment’s cost over its fair value at the balance sheet dates of the reporting periods for which the assessment is made. The fair value would then become the new cost basis of the investment.

*Debt Security Investment*

As of December 31, 2024 and 2025, the Group’s long term debt security investment represented minority equity interest with redemption right in an investee. The Group elected to account for the debt investment under the fair value option model including preferred stock redeemable merely by the passage of time and at the option of the Group as a holder. The fair value option model permits the irrevocable election on an instrument-by-instrument basis at initial recognition or upon an event that gives rise to a new basis of accounting for that instrument. The investment accounted for under the fair value option model is carried at fair value with unrealized gains and losses recorded in “interest and investment income” in the consolidated statements of comprehensive loss.

**(r) Fair value measurements of financial instruments**

The Group applies ASC 820 (“ASC 820”), *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — Other inputs that are directly or indirectly observable in the marketplace.

Level 3 — Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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.

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**2. Summary of Significant Accounting Policies (Continued)**

**(r) Fair value measurements of financial instruments (Continued)**

The Group’s financial instruments primarily consist of cash and cash equivalents, restricted short-term deposits, short-term investments, loans receivable, accounts receivable and payable, other current assets, bank loans, accrued expenses and other liabilities and mandatorily redeemable non-controlling interests. The carrying values of these financial instruments, except for short-term investments, long-term bank loans and mandatorily redeemable non-controlling interests, are approximated to their fair values due to their short-term maturities.

As of December 31, 2024 and 2025, financial assets that are measured at fair value on a recurring basis consist of foreign exchange forward contract, short term investments and long-term debt security investment. Foreign exchange forward contract was classified within Level 2 of the fair value hierarchy because the quoted market price of underlying asset is not fully observable. Short term investments with observable inputs that reflected quoted prices for identical assets in active markets were categorized as Level 1, while short term investments without fully observable quoted market price of underlying asset were categorized as Level 2. Long-term debt security investment did not have readily determinable market values and was categorized as Level 3 in the fair value hierarchy. The Group measures investments without readily determinable fair values on a non-recurring basis when fair value adjustments can be supported by observable market data. Observable price changes generally arise from new financing rounds of the investee companies. As of December 31, 2024 and 2025, certain equity investments without determinable fair values were categorized within Level 2 of the fair value hierarchy when measured based on qualifying observable price changes. Those measured using significant unobservable inputs were categorized within Level 3. Under these circumstances, the Group has adopted certain valuation techniques using unobservable inputs to measure their respective fair values.

**(s) Revenue recognition**

The Group’s revenues are primarily derived from the sale of UAVs and related commercial solutions, mainly including air mobility solutions, smart city management solutions, and aerial media solutions.

The Group enters into legally enforceable and binding agreements with its customers with fixed terms and conditions, including pricing. The Group recognizes revenue in the amount that reflects the consideration to which it expects to be entitled in exchange for the products or services are transferred to its customers. Revenues are presented net of taxes collected on behalf of the government.

When either party to a contract has performed, the Group presents the contract in the consolidated 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 when the consideration is conditioned other than the passage of time. A receivable is recorded when the Group has an unconditional right to consideration, but for only the passage of time.

If a customer pays consideration or the Group has receivable, 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. The Group’s contract liabilities primarily result from the advance received of sales of UAVs and related commercial solutions, which are recognized as revenue based on the consumption of the services or the delivery of the goods.

The Group generally does not separately bill its customers for shipping and handling fees and charges. The Group elects to record the costs incurred for shipping and handling in “sales and marketing expenses” in its consolidated statements of comprehensive loss. The shipping and handling costs for the years ended December 31, 2023, 2024 and 2025 were RMB1,427, RMB2,438 and RMB1,208 (US\$173), respectively.

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**2. Summary of Significant Accounting Policies (Continued)**

**(s) Revenue recognition (Continued)**

Practical Expedients

The transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, has not been disclosed as substantially all of the Group contracts have a duration of one year or less.

Air mobility solutions

Revenues from air mobility solutions are primarily product revenues from the sales of passenger-grade UAVs and its software. As the UAVs and software are highly interdependent, the entire bundle of promised goods is considered one performance obligation within the context of the contract. The Group recognizes revenue for this single performance obligation at a point in time when control to the bundle of goods transfers to the customer and other conditions as set out in ASC 606 are met. For domestic sales, control transfers upon delivery to the customer as evidenced by the customer’s acknowledgement of receipt and proof of delivery documentation. For international sales, control transfers at shipping point consistent with the terms of the sales agreements. The transaction price is the amount of consideration the Group expects to receive under the arrangement.

When the Group contracts with a customer and determines that it is not probable to collect substantially all of the consideration for the sales transaction at contract inception and no contract is established, any consideration received is recognized as a liability by the Group, subsequently recorded as revenue only when the Group has transferred control of the corresponding goods or services, has no obligation under the contract to transfer additional goods or services, and the consideration received is nonrefundable. The Group will record an asset in “Prepayments and other current assets” representing the value of the inventories recovered should the sale not happen.

The Group only provides the right of return for defective goods in connection with its warranty policy which is accounted for as an assurance-type warranty. For the extended warranty beyond the standard policy, the Group considers it provides a level of protection beyond defects that existed at the time and accounts for it as a separate performance obligation.

Service revenues from air mobility solutions are primarily provision of exhibition income which is satisfied over time.

Others

Smart city management solutions

The Group enters into contracts with its customers for designing, building and delivering customized integrated command-and-control centers. The duration of the contracts depends on the contract size and ranges from three months to one year, excluding the duration of warranty accounted for as an assurance-type warranty, which ranges from one year to three years. The Group provides a significant service of integrating goods and services including the project design, hardware and software promised in the contract into a combined output; therefore, the goods and services in the contracts are not distinct from each other and the Group determines there is one performance obligation, which is the delivery of the customized integrated command-and-control center. The performance obligation is satisfied, and control is transferred to the customer over time because there is no alternative use for the highly customized and integrated command-control-center and the Group has an enforceable right to payment for performance completed to date. The Group has determined the cost-to-cost method best depicts the measure of progress towards fulfilling the performance obligation. Under this method, revenue is recognized based on the estimated extent of progress, which is determined by dividing costs incurred to date by the total amount of costs expected to be incurred for designing, building and delivering a customized integrated command-and-control center. Revisions in the estimated total costs of command-and-control center contracts are made in the period in which the circumstances requiring the revision become known. Provisions, if any, are made in the period when anticipated losses become evident on uncompleted contracts. The Group reviews and updates the estimated total costs of command-and-control center contracts periodically. The Group accounts for revisions to contract revenue and estimated total costs of command-and-control center contracts, in the period in which the facts that cause the revision become known as changes in estimates. Unapproved change orders are considered claims. Claims are recognized only when they have been awarded by customers.

The Group also provides products for smart city management solutions. Product revenues are recognized at a point in time upon customer acceptance of the products.

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**2. Summary of Significant Accounting Policies (Continued)**

**(s) Revenue recognition (Continued)**

*Aerial media solutions*

The Group generates revenue by providing aerial media performance services and related products. Aerial media performance services allow multiple smart control-based drones to demonstrate and transform their formation to display diversified messages and images in specific airspace, that is tailor made based on different branding or advertising requirements. The Group uses self-produced and purchased drones and customizes the fleet formation performances based on customer’s needs and availability of airspace approval in the area. The performance is usually completed within a day and revenue is recognized when the service is delivered. While the aerial media performance services are delivered to customers over a period of time, the customer simultaneously receives and consumes the benefits of the Group’s performance as and when each service is delivered and revenue is recognized over time.

The Group also sells hardware and software components of the aerial media performance drones. As the hardware and software components are highly interdependent, the entire bundle of promised goods is considered one performance obligation within the context of the contract. The single performance obligation is satisfied at a point in time, which is upon customer acceptance of the products.

*Others*

The Group generates other revenues mainly from stand-alone sales of consumer drones and their components and spare parts. Revenues are recognized for consumer drones upon shipment which is when control of the drones is transferred to the customers.

Contract modifications, defined as changes in the scope or price (or both) of a contract that are approved by the parties to the contract, such as a contract amendment, exist when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract. Contract modifications, if any, will be accounting for as one of the following: (i) a separate contract; (ii) a termination of the existing contract and a creation of a new contract; or (iii) a combination of the preceding treatments. A contract modification is accounted for as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group’s standalone selling prices of the additional promised goods or services. When a contract modification is not considered a separate contract and the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, the Group accounts for the contract modification as a termination of the existing contract and a creation of a new contract. When a contract modification is not considered a separate contract and the remaining goods or services are not distinct, the Group accounts for the contract modification as an add-on to the existing contract and as an adjustment to revenue on a cumulative catch-up basis.

**(t) Cost of revenues**

Cost of revenues consists primarily of autonomous aerial vehicle material and manufacturing costs, construction costs of smart city management solutions, product warranty costs, provision for inventories, payroll, employee benefits, rental fees, depreciation and related costs of operations.

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**2. Summary of Significant Accounting Policies (Continued)**

**(u) Product warranty liability**

The Group offers standard warranties to replace or repair defects on certain hardware parts of its passenger-grade UAVs for a period of six months to three years typically. The Group does not provide warranties to guarantee that the UAVs will perform as expected or in accordance with published specifications or provide expected benefits. The Group accrues for the estimated costs to repair or replace defective hardware parts and costs to assure software effectiveness as costs of revenues when revenue is recognized. The Group estimates its warranty costs by considering its historical experience of having to replace or repair hardware parts and for software de-bugging and the historical costs incurred have been insignificant to date. The estimates of warranties are inherently uncertain given the Group’s relatively short history of sales, and changes to the Group’s historical or projected warranty experience may cause material changes to the warranty reserve in the future. The Group reassesses whether warranty accruals are adequate based on actual experience as it becomes available and adjusts its estimates on a prospective basis.

Product warranty accrual is included in accrued expenses and other current liabilities (Note 11) and other non-current liabilities in the consolidated balance sheets.

**(v) Advertising expenditures**

Advertising expenditures are expensed as incurred and are included in “sales and marketing expenses”, which amounted to RMB2,918, RMB3,645 and RMB3,385 (US\$484) for the years ended December 31, 2023, 2024 and 2025, respectively.

**(w) General and administrative expenses**

General and administrative expenses consist primarily of payroll, employee benefits, share-based compensation, legal and other professional services fees, expected credit losses provision, and other general corporate related expenses.

**(x) Research and development expenses**

Research and development expenses include materials and supplies, design and development expenses with new technology, payroll, employee benefits, share-based compensation and other operating expenses such as rent, depreciation and other related expenses.

The Group capitalizes costs to develop or obtain internal-use software and costs of significant upgrades and enhancements resulting in additional functionality of internal-use software in accordance with ASC 350-40 (“ASC 350-40”), *Internal-Use Software*. Costs incurred for internally developed internal-use software used for a particular research and development project are expensed as incurred, regardless of whether the software has alternative future uses. Costs incurred for maintenance, training, and minor modifications or enhancements are also expensed as incurred. Capitalized software development costs are amortized on a straight-line basis over the estimated useful life of the applicable software. Capitalized software development costs have not been material for the periods presented.

The Group also incurs cost to develop software embedded in its products. The software components cannot function or be sold separately from the UAV as a whole. The Group accounts for costs incurred in the development of software embedded in its products in accordance with ASC 985-20 (“ASC 985-20”), *Costs of Software to be Sold, Leased, or Marketed*. Such software development costs consist primarily of salaries and related payroll costs and are capitalized once technological feasibility is established, which is when a completed detail program design or in the absence of a completed detail program design, a working model of the product is available. As a result, capitalized software development costs were immaterial for the years ended December 31, 2023, 2024 and 2025.

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**2. Summary of Significant Accounting Policies (Continued)**

**(y) Leases**

The Group leases facilities under non-cancellable operating leases expiring on different dates. Under ASU No.2016-02(Topic 842) “Leases”, lessees are required to recognize assets and liabilities on the balance sheet for most leases. A contract is or contains a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration. The Group determines whether a contract conveys the right to control the use of an identified asset for a period of time by assessing whether the Group has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

The Group has elected not to present short-term leases on the consolidated balance sheet 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. The Group accounts for short-term leases with terms less than 12 months in accordance with ASC 842-20-25-2 to recognize the lease payments in profit or loss on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred.

Operating leases are included in right-of-use assets, current lease liabilities and non-current lease liabilities on the consolidated balance sheet. Renewal options are considered within the right-of-use assets and lease liability when it is reasonably certain that the Group will exercise that option.

The Group elected the package of practical expedients permitted under the transition guidance within the new standard, which allowed the Group to carry forward the historical determination of contracts as leases, lease classification and not reassess initial direct costs for historical lease arrangements. In addition, the Group also elected the practical expedient to apply consistently to all of the Group’s leases to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the Group’s right-of-use assets.

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.

As most of the Group’s leases do not provide an implicit rate, the Group uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The incremental borrowing rate 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.

**(i) Right-of-use assets**

Right-of-use assets, which mainly comprise of office and production facilities, are initially measured at the present value of the lease payments. Amortization of the right-of-use assets is made over the lease term on a generally straight-line basis.

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**2. Summary of Significant Accounting Policies (Continued)**

**(y) Leases (Continued)**

(ii) Lease liabilities

Lease liabilities are lessees’ obligations to make the lease payments arising from a lease, measured on a discounted basis.

As a lessee, the weighted average remaining lease terms of the right-of-use assets was 12 years, as of December 31, 2025, the discount rate for the lease is the rate implicit in the lease unless that rate cannot be readily determined and the weighted-average discount rate of the operating lease was 4.20%.

For the years ended December 31, 2023, 2024 and 2025, operating lease cost were RMB11,527, RMB11,227 and RMB15,642 (US\$2,237), and short-term lease cost were RMB172, RMB100 and RMB118 (US\$17), respectively. There was no other lease cost other than operating lease cost and short-term lease cost for each of the periods presented. For the years ended December 31, 2023, 2024 and 2025, cash paid for operating leases included in operating cash flows were RMB6,877, RMB7,383 and RMB11,024 (US\$1,576), respectively. For the years ended December 31, 2023, 2024 and 2025, leased assets obtained in exchange for operating lease liabilities was RMB9,127, RMB60,590 and RMB1,363 (US\$195), respectively.

A maturity analysis of the Company’s operating lease liabilities and reconciliation of the undiscounted cash flows to the operating lease liabilities recognized on the consolidated balance sheet was as below:

	Office and production facilities rental	
	As of December 31, 2025	
	RMB	US\$
2026	16,576	2,370
2027	14,571	2,084
2028	14,141	2,022
2029	12,199	1,744
2030	12,427	1,777
2031 and thereafter	103,063	14,738
Minimum lease payments	172,977	24,735
Less: imputed interest	(42,453)	(6,070)
Present value of lease liabilities	130,524	18,665
Less: Current portion	(16,278)	(2,328)
Non-current portion of lease liabilities	114,246	16,337

**(z) Government subsidies**

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. The government subsidies of operating nature with no further conditions to be met are recorded in “other operating income” when received. The government subsidies with certain operating conditions are recorded as “deferred government subsidies” on the consolidated balance sheets when received and are recorded as “other operating income” when the conditions are met.

For the years ended December 31, 2023, 2024 and 2025, other operating income mainly represents government grants that recognized upon receipt immediately in profit or loss of RMB6,233, RMB29,869 and RMB10,400 (US\$1,487), respectively, as no further performance or conditions is required. Other operating income of RMB1,983 (US\$284) were recognized during the year ended December 31, 2025 from deferred government subsidies when the conditions are met.

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**2. Summary of Significant Accounting Policies (Continued)**

**(aa) Income taxes**

The Group follows the liability method of accounting for income taxes in accordance with ASC 740 (“ASC 740”), *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group accounted for uncertainties in income taxes in accordance with ASC 740. Interest and penalties arising from underpayment of income taxes shall be computed in accordance with the related PRC tax law. The amount of interest expense is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest and penalties recognized in accordance with ASC 740 are classified in the consolidated statements of comprehensive loss as income tax expense.

In December 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The ASU requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The Group adopted this ASU on a prospective basis effective January 1, 2025. Refer to Note 17, *Income Taxes* for the inclusion of new disclosures required.

**(ab) Share-based compensation**

The Group applies ASC 718 (“ASC 718”), *Compensation—Stock Compensation* to account for its employee share-based payments. In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or an equity award. All of the Group’s share-based awards granted to employees were classified as equity awards.

The Group has elected to recognize compensation expense using the straight-line method for share-based awards granted with service conditions that have a graded vesting schedule. Prior to the completion of the IPO, with the assistance of an independent third-party valuation firm, the group determined the grant date fair value of the awards granted to employees. Subsequent to the completion of the IPO, share-based awards granted were measured based on the fair value of ordinary share as of grant date. The fair value is determined using an appropriate valuation model, such as the binomial option pricing model for share options or the market price of the Company’s shares on the grant date for Restricted Stock Units (“RSUs”). The Group accounts for forfeitures as they occur.

A change in any of the terms or conditions of share-based payment awards is accounted for as a modification of awards. The Group measures the incremental compensation cost of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified, based on the share price and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested awards, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Group recognizes is the cost of the original award.

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**2. Summary of Significant Accounting Policies (Continued)**

**(ab) Share-based compensation (Continued)**

The Group doesn't reflect reload features and contingent features in the grant-date fair value of an equity award. Reload features and contingent features are that require a grantee to transfer equity shares earned, or realized gains from the sale of equity instruments earned, to the issuing entity for consideration that is less than fair value on the date of transfer (including no consideration), such as a claw back feature. The Group accounted for these features if and when the contingent event occurs by recognizing the consideration received in the corresponding balance sheet account and a credit in the income statement equal to the lesser of the recognized compensation cost of the share-based payment arrangement that contains the contingent feature and the fair value of the consideration received, and debits in additional paid-in capital, and treasury shares, if any.

**(ac) Employee benefit expenses**

Full time employees of the Group in the PRC participate in a government mandated multi-employer defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund, maternity insurance and employment injury insurance are provided to employees. Chinese labor regulations require that PRC subsidiaries and VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions. The total expenses the Group incurred for the plan were RMB13,298, RMB15,751 and RMB23,989 (US\$3,430) for the years ended December 31, 2023, 2024 and 2025, respectively.

**(ad) Statutory reserve**

The Group's PRC entities are required to make appropriations to certain non-distributable reserve funds.

In accordance with the Company Laws of the PRC, the Group's entities registered as PRC domestic companies must make appropriations from its after-tax profit (as determined under the Accounting Standards for Business Enterprises as promulgated by the Ministry of Finance of the People's Republic of China (“PRC GAAP”)) to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined under the PRC GAAP. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the company. Appropriation to the discretionary surplus fund is made at the discretion of the company.

Prior to January 1, 2025, in accordance with the laws applicable to China's Foreign Investment Enterprises, the Group's subsidiaries registered as the WFOE and its subsidiaries (“WFOEs”) have to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is made at the discretion of the company. With effect from January 1, 2025, no appropriations shall be made to the general reserve fund, the enterprise expansion fund or the staff welfare and bonus fund. Any distribution of profit shall comply with the Company Laws of the PRC.

The use of the statutory surplus fund and discretionary surplus fund is restricted to the off-setting of losses or increasing capital of the respective company. All these reserves are not allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

For the years ended December 31, 2023, 2024 and 2025, appropriations to general reserve fund and statutory surplus fund amounted to RMB48, RMB533 and RMB1,530 (US\$219), respectively.

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**2. Summary of Significant Accounting Policies (Continued)**

**(ae) Comprehensive loss**

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group’s comprehensive loss includes net loss and foreign currency translation adjustments.

**(af) Dividends**

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2023, 2024 and 2025, respectively.

**(ag) Loss per share**

In accordance with ASC 260 (“ASC 260”), *Earnings per Share*, basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net loss is allocated between ordinary shares, and other participating securities based on their participating rights.

For the years ended December 31, 2023, 2024 and 2025, the two-class method is applicable because the Group has two classes of ordinary shares outstanding, Class A and Class B ordinary shares, respectively. The participating rights (liquidation and dividend rights) of the holders of the Company’s Class A and Class B ordinary shares are identical, except with respect to voting and conversion (Note 19). As a result, and in accordance with ASC 260, the undistributed loss for each year is allocated based on the contractual participation rights of the Class A and Class B ordinary shares, respectively. As the liquidation and dividend rights are identical, the undistributed loss is allocated on a proportionate basis.

Ordinary equivalent shares consist of unvested restricted shares units, and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are excluded from the computation of diluted loss per share for all periods presented as their effects would be anti-dilutive.

**(ah) Short-term debt**

In 2022, the Group entered into a share purchase agreement (the “SPA”) with an investor (the “Investor”) to issue predetermined number of Class A ordinary shares (the “Underlying Shares”) of the Company, at a fixed consideration in US\$ (the “Private Placement”), upon meeting the specified preconditions, of which the substantial one is the Investor obtaining the Outbound Direct Investment (“ODI”) approval.

A transitional agreement has been reached to supplement the Private Placement (the “Supplemental Agreement”), according to which before the ODI approval, the Investor provided RMB proceeds (the “RMB Proceeds”) as an interim funding, equivalent to consideration in U.S. dollar of the Private Placement, to the designated subsidiary of the Company.

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**2. Summary of Significant Accounting Policies (Continued)**

**(ah) Short-term debt (Continued)**

The RMB Proceeds and associated subsequent repayment obligation was accounted for as a liability to the Company, since:

(i) The RMB Proceeds are a loan provided by the Investor to the subsidiary of the Company under the Supplemental Agreement. The Investor is entitled to receive the money back after at least three months if the ODI approval is not obtained due to force majeure or other situations agreed by the Company and Investor.

(ii) Upon the occurrence of dissolution, windup or liquidation of the onshore subsidiary, the Investor could claim its creditor right in accordance with PRC bankruptcy law.

Therefore the instrument is accounted for as a short-term debt under ASC 470, *Debt*. For the year ended December 31, 2023, the short-term debt was repaid.

**(ai) Warrants**

According to the SPA, the Company issued a purchase right to the Investor under which the Company will issue predetermined ordinary shares for a fixed cash consideration at a future date (the “Warrants”).

The Warrants were accounted for as equity instruments to the Company, since:

i) The Warrants were indexed to the Company’s own stock, since:

- The Warrants will be exercised upon the ODI approval, which is not based on an observable market, or an observable index.
- The exercise price is fixed by the SPA and Supplement Agreement, and the number of Underlying Shares to be issued is also fixed divided by the fixed purchase price per share.

ii) The Warrants were classified in shareholders’ equity, since:

- The Warrants will be settled only by gross physical delivery of ordinary shares by the Company.
- The Company has the ability to settle the Private Placement in ordinary shares.
- The number of Underlying Shares to be issued is explicitly fixed at the total consideration divided by the fixed purchase price per share, with no adjustment provision.
- No requirement for cash settlement in the agreements.
- There are no cash settled top-off or make-whole provisions.

The Group received the Proceeds and issued short-term debt and Warrants in a bundled transaction. The RMB Proceeds shall be allocated to the two elements based on the relative fair values of the debt instrument without the Warrants and of the Warrants themselves at time of issuance. The portion of the RMB Proceeds so allocated to the Warrants shall be accounted for as additional paid-in capital. The remainder of the proceeds shall be allocated to the debt instrument portion of the transaction, the short-term debt. This results in a discount which shall be accounted for as amortization of debt discounts in the following months.

On January 1, 2022, The Group has elected to early adopt the ASU No. 2020-06, *Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity’s Own Equity* (Subtopic 815-40): *Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity* (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This adoption of the guidance had no material impact on the treatment of the warrants or short-term debt in Note 2(ah).

The Group entered into an SPA with similar terms of 2022 SPA with a third-party investor and received a short-term debt of RMB90,000 in June 2024 and repaid the debt in November 2024.

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**2. Summary of Significant Accounting Policies (Continued)**

**(aj) Segment reporting**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker (“CODM”) and included within each reported measure of a segment’s profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment’s profit or loss in assessing segment’s performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. The Group has adopted this ASU retrospectively on January 1, 2024.

In accordance with ASC 280 (“ASC 280”), *Segment Reporting*, operating segments are defined as components of an enterprise about which separate financial information is available that is provided regularly to the CODM, or decision-making group, in deciding how to allocate resources and in assessing performance. The Group’s Chief Executive Officer as the CODM reviews the consolidated revenues, gross profit and net loss, using only one measure of a segment’s profit or loss when making decisions about allocating resources and assessing the performance of the Group by comparing actual results of consolidated revenues, gross profit and net loss to historical results and previously forecasted financial information. As a whole and hence, the Group has only one reportable segment. The Group’s long-lived assets are substantially all located in the PRC.

For the operating results of segment provided to and reviewed by CODM, please refer to the consolidated statements of comprehensive loss.

The following table presents revenue by customer incorporation location for the years ended December 31, 2023, 2024 and 2025, respectively:

	For the year ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	%
PRC	96,580	82%	431,338	95%	402,333	57,532	97%
East Asia	6,018	5%	3,028	1%	14,369	2,055	3%
West Asia	9,188	8%	14,485	3%	564	81	0%
Europe	501	1%	321	0%	372	53	0%
South Asia	—	—	—	—	217	31	0%
East Africa	—	—	—	—	126	18	0%
West Africa	—	—	1,851	0%	—	—	—
North America	—	—	2,616	1%	—	—	—
South America	4,729	4%	2,513	0%	—	—	—
Other	410	0%	—	—	—	—	—
<b>Total net revenues</b>	<b>117,426</b>	<b>100%</b>	<b>456,152</b>	<b>100%</b>	<b>417,981</b>	<b>59,770</b>	<b>100%</b>

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**2. Summary of Significant Accounting Policies (Continued)**

**(ak) Recent accounting pronouncements**

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. This ASU will likely result in the required additional disclosures being included in Group’s consolidated financial statements, once adopted. The Group is currently evaluating the impact of the new guidance on its consolidated financial statements.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides all entities an election of a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset when developing reasonable and supportable forecasts as part of estimating expected credit losses. This ASU is effective for annual reporting periods beginning after December 15, 2025 (and interim reporting periods within those annual reporting periods). Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. After evaluation, the Group has decided not to elect the practical expedient.

In September 2025, the FASB issued ASU No. 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The ASU simplifies the capitalization guidance by removing all references to prescriptive and sequential software development stages (referred to as “project stages”) throughout ASC 350-40. The ASU is effective for annual periods beginning after December 15, 2027, and interim periods within those fiscal years. Adoption of this ASU can be applied prospectively for reporting periods after its effective date; or follow a modified transition approach that is based on the status of the respective projects and whether software costs were capitalized before the date of adoption; or retrospectively to any or all prior periods presented in the consolidated financial statements. Early adoption is permitted. The Group is currently evaluating the provisions of this ASU and does not expect this ASU to have a material impact on its consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-10, Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities. The ASU establishes authoritative guidance in GAAP about accounting for government grants received by business entities, clarifies the appropriate accounting, in an effort to reduce diversity in practice, and increase consistency of application across business entities. The ASU is effective for annual reporting periods beginning after December 15, 2028, and interim reporting periods within those annual reporting periods. Adoption of this ASU can be applied a modified prospective approach, a modified retrospective approach, or a retrospective approach. Early adoption is permitted. The Group is currently evaluating the impact of the new guidance on its consolidated financial statements.

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**3. Concentration of Risks**

**(a) Concentration of credit risk**

Financial instruments that potentially subject the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, restricted short-term deposit, short-term investments and accounts receivable. The carrying amounts of these assets represent the Group’s maximum exposure to credit risk as of the balance sheet dates.

As of December 31, 2024 and 2025, substantially all of the Group’s cash and cash equivalents, restricted short-term deposit, and short-term investments were placed with certain reputable financial institutions in the PRC and overseas. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors’ interests. The Group selected reputable international financial institutions with high credit ratings to deposit its foreign currencies. The Company regularly monitors the credit ratings of the international financial institutions to avoid any potential defaults. In the event of bankruptcy of one of these financial institutions, the Group may not be able to claim its cash and demand deposits back in full. The Group continues to monitor the financial strength of the financial institutions. There has been no recent history of default in relation to these financial institutions.

Accounts receivable are typically unsecured and derived from revenue earned from customers in the PRC, which are exposed to credit risk. The risk is mitigated by credit evaluations the Group performs on its customers and its ongoing monitoring process of outstanding balances. The Group maintains expected credit losses provision and actual losses have generally been within management’s expectations.

**(b) Business supplier risk**

The Group relies on external supplies for raw materials and certain components and parts used in the Group’s products. Some of the components for UAVs are currently selected to be purchased from a single source to improve cost-efficiency.

Suppliers accounting for 10% or more of total purchases of materials for the years presented are as follows:

Supplier	For the year ended December 31,			
	2023 RMB	2024 RMB	2025	
			RMB	US\$
A	—	—	26,399	3,775
B	*	22,576	*	*
C	5,585	*	*	*

\* less than 10% of total purchase of materials of the Group.

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**3. Concentration of Risks (Continued)**

**(c) Customer risk**

The success of the Group’s business going forward will rely in part on the Group’s ability to continue to obtain and expand its business from existing customers while also attracting new customers. For the years ended December 31, 2023, 2024 and 2025, the majority of the Group’s revenue generated from sales of passenger-grade UAVs are from a limited number of customers that mainly operate the UAVs on a limited trial basis in tourism locations in China, rather than in broad, mainstream commercial operations.

External customers with 10% or more of the Group’s revenues for the years presented are as follows:

Customer	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
A	—	—	100,000	14,300
B	28,673	*	81,504	11,655
C	—	120,796	53,540	7,656
D	—	100,000	—	—
E	—	63,451	—	—
F	11,752	—	*	*

\* less than 10% of total revenues of the Group.

As of December 31, 2024 and 2025, accounts receivable, net of expected credit losses, from the top customers above amounted to RMB49,373 and RMB56,522 (US\$8,083), accounting for 85% and 51% of the Group’s total balance, respectively.

**(d) Currency convertibility risk**

The Group primarily transacts its business in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People’s Bank of China (the “PBOC”). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

**(e) Foreign currency exchange rate risk**

The Group is exposed to foreign currency exchange rate risk, which mainly affects the monetary assets denominated in the currencies other than the functional currencies of the respective entities. Since July 21, 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The functional currency and the reporting currency of the Company are the US\$ and the RMB, respectively. Most of the Group’s revenues and costs are denominated in RMB, while a portion of cash and cash equivalents, restricted short-term deposits, short-term investments, accounts receivable, other receivables, other payables and accounts payable are denominated in US\$. 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.

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**4. Short-term Investments**

Short-term investments as of December 31, 2024 and 2025 consisted of the following:

	As of December 31, 2024				
	Cost RMB	Gross unrealized gains RMB	Gross unrealized losses RMB	Foreign currency exchange gains RMB	Fair value carrying amount RMB
Wealth management products	503,733	4,885	—	5,065	513,683

	As of December 31, 2025				
	Cost RMB	Gross unrealized gains RMB	Gross unrealized losses RMB	Foreign currency exchange losses RMB	Fair value carrying amount RMB
Wealth management products	824,564	36,290	—	(17,622)	843,232

The Group’s short-term investments are primarily investments in trading instruments issued by overseas reputable financial institutions.

For the years ended December 31, 2023, 2024 and 2025, the Group recognized interest and investment income of RMB806, RMB10,177 and RMB36,748 (US\$5,255) from short-term investments, respectively.

**5. Accounts Receivable, Net**

Accounts receivable, net, consisted of the following:

	As of December 31,		
	2024 RMB	2025 RMB	US\$
Accounts receivable	161,520	222,929	31,879
Less: expected credit losses provision	(103,340)	(111,259)	(15,910)
Accounts receivable, net	<b>58,180</b>	<b>111,670</b>	<b>15,969</b>

In 2025, the Group received a deposit of RMB7,060 (US\$1,010) from a customer, representing a guaranteed payment for consideration recorded in accrued expenses and other liabilities (Note 11). The amount was subsequently offset against an account receivable from the customer in April 2026.

The movements in the expected credit losses were:

	For the year ended December 31,			
	2023 RMB	2024 RMB	2025 RMB US\$	
Beginning balance prior to ASC 326	(115,380)			
Adoption of ASC Topic 326	(1,153)			
Balance at the beginning of the years	(116,533)	(131,826)	(103,340)	(14,778)
Current period provision	(16,170)	(12,725)	(11,294)	(1,615)
Reversal	1,773	6,039	3,356	480
Provision converted from unbilled revenue	(1,269)	—	—	—
Write-off	—	35,180	—	—
Acquisition of non-controlling interests	390	—	—	—
Others	(17)	(8)	19	3
Balance at the end of the years	<b>(131,826)</b>	<b>(103,340)</b>	<b>(111,259)</b>	<b>(15,910)</b>

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**6. Inventories**

Inventories consisted of the following:

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
Raw materials	45,319	40,687	5,818
Work in progress	9,043	20,400	2,917
Finished goods	30,405	48,760	6,972
Inventories, total	84,767	109,847	15,707
Inventories provision	(9,080)	(8,213)	(1,174)
	<u>75,687</u>	<u>101,634</u>	<u>14,533</u>

**7. Prepayments and Other Current Assets**

Prepayments and other current assets consisted of the following:

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
Value-added tax	22,706	45,741	6,541
Prepayment for acquisition of inventories	20,048	32,726	4,680
Right to recover inventories (i)	—	30,326	4,337
Prepayment for services	6,733	24,716	3,534
Insurance claims receivable	—	2,230	319
Loans and interest receivable from a related party (Note 18(5))	—	2,070	296
Prepayment for an equity investment	2,000	2,000	286
Foreign exchange forward contract	8	314	45
Deposits	16,082	308	44
Others	721	491	69
	<u>68,298</u>	<u>140,922</u>	<u>20,151</u>

- (i) For contracts with certain customers where collectability is not probable to support the establishment of contract at contract inception, and no revenue was recognized, the Group recorded the right to recover the transferred inventories as stipulated in the contracts or by relevant laws. As of December 31, 2024 and 2025, right to recover inventories were nil and RMB30,326 (US\$4,337), respectively.

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**7. Prepayments and Other Current Assets (Continued)**

In January 2020, the Group entered into a three-year loan agreement with a third-party supplier of key UAV components with a principal amount of RMB52,000 and an interest rate of 3% per annum. The use of the loan proceeds is limited to expanding the supplier’s production capacity. This long-term loan can be repaid by the borrower at any time. The loan balance was guaranteed by the borrower’s sole shareholder and his spouse. In 2020, RMB40,000 of the loan’s principal was repaid by the borrower. In March 2023, the Group entered into a supplementary agreement with the borrower to extend the term of the outstanding loan of RMB12,000 as follows: (1) RMB2,000 of the outstanding amount is extended to September 30, 2023. (2) RMB2,000 of the outstanding amount is extended to December 31, 2023. (3) RMB8,000 of the outstanding amount is extended to March 9, 2025. Subsequently, RMB1,700 was repaid by the borrower in cash and a supplemental agreement was entered into to offset RMB5,800 with the Group’s accounts payable to the borrower. For the years ended December 31, 2023 and 2024, the Group had recognized current expected credit losses of RMB285 and RMB4,215 against the total uncollected loan receivable balance of RMB4,500, respectively. Up to date of the issuance of the financial statements, the borrower did not repay the loan.

In March 2020, the Group provided a two-year loan to a third-party entity with a principal amount of Euro 243 (equivalent to RMB1,900) and an interest rate of 3.5% per annum. In March 2022, the Group entered into a supplementary agreement with the third-party entity to extend the term of the loan by two years. The use of the loan proceeds is limited to assisting the Group in applying necessary permits from a European country’s aviation authority for the commercial operations of UAVs in this country. In 2024, the Group made a full provision against the total balance. As of the date of issuance of the financial statements, the borrower did not repay the loan.

As of December 31, 2024 and 2025, expected credit loss provision related to other receivables (including loans receivable) were RMB7,082 and RMB7,249 (US\$1,037), respectively.

**8. Property and Equipment, Net**

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
Leasehold improvements	30,236	86,648	12,391
Building	—	84,087	12,024
Electronic equipment	15,828	70,302	10,053
Machinery equipment	20,440	35,855	5,127
Construction in progress	16,985	12,532	1,792
Mold and tooling	6,190	11,926	1,705
Transportation equipment	4,224	6,766	968
Office equipment	1,980	4,432	634
	<b>95,883</b>	<b>312,548</b>	<b>44,694</b>
Less: accumulated depreciation	(34,199)	(53,038)	(7,584)
Less: accumulated impairment	(1,460)	(1,460)	(209)
	<b>60,224</b>	<b>258,050</b>	<b>36,901</b>

For the years ended December 31, 2023, 2024 and 2025, the Group recorded depreciation expense of RMB12,442, RMB12,774 and RMB18,954 (US\$2,710), respectively.

As of December 31, 2025, certain long-term bank loans (Note 12) were secured by mortgages of the Group’s building with carrying values of approximately RMB 81,952 (US\$11,719). There was no property and equipment mortgage securing the long-term loans outstanding as of December 31, 2024.

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**9. Investments Accounted for Using Equity Method**

	Equity method investments
	RMB
<b>Balance as of December 31, 2023</b>	<b>13,450</b>
Additions	14,800
Shares of results of equity method investees	(4,353)
<b>Balance as of December 31, 2024</b>	<b>23,897</b>
Additions	10,200
Shares of results of equity method investees	(5,248)
<b>Balance as of December 31, 2025</b>	<b>28,849</b>
<b>Balance as of December 31, 2025 (US\$)</b>	<b>4,125</b>

- (a) In June 2021, the Group and a third-party investor jointly set up an entity for the purpose of developing the local urban air mobility and smart city operations in Guangzhou, Guangdong Province. The Group subscribed for a commitment of RMB10,500 and holds 35% of the investee’s equity interests. As of December 31, 2024 and 2025, the Group has contributed aggregated cash consideration of RMB7,000 and RMB7,000 (US\$1,001). The Group holds board seats to enable it can exercise significant influence over the operating and financial policies of the investee. Therefore, the equity investment is accounted for using the equity method. Pursuant to the payment schedule of capital contribution as set out in the investment agreement, RMB3,500 (US\$500) is recorded as investment payable in accrued expenses and other liabilities (Note 11) as of December 31, 2024 and 2025.
- (b) In 2024, the Group and several third-party investors entered into investment agreements to jointly set up entities to promote local low-altitude transportation and tourism products in Anhui Province, Jiangsu Province, Guangdong Province and Zhejiang Province, respectively. For the year ended December 31, 2024, the Group invested total cash consideration of RMB13,050 and holds equity interests in the investees with a range from 19% to 31%. The Group holds board seats to enable it can exercise significant influence over the operating and financial policies of the investees. Therefore, the equity investments are accounted for using the equity method.
- (c) In March 2025, the Group and a third-party investor jointly set up an entity for the purpose of optimizing the production processes and technology of UAV in Guangdong Province. As of December 31, 2025, the Group has contributed aggregated cash consideration of RMB4,000 (US\$572) and holds 40% of the investee’s equity interest. The Group holds board seats to enable it can exercise significant influence over the operating and financial policies of the investee. Therefore, the equity investment is accounted for using the equity method.
- (d) In September 2025, to support its UAV operation business, the Group invested an additional RMB6,200 (US\$887) in an existing investee based in Anhui Province, and holds 31% of the investee’s equity interests. The Group holds board seats to enable it can exercise significant influence over the operating and financial policies.

For the years ended December 31, 2023, 2024 and 2025, the Group recognized losses of RMB1,560, RMB4,353 and RMB5,248 (US\$750) from equity method investment, respectively. As of December 31, 2024 and 2025, none of the Group’s equity method investment, neither individually nor in aggregate, was considered as significant under Regulation S-X 4-08(g). No impairment losses were recognized on these investments in any of the presented years.

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**10. Other Investments**

	Equity investments without readily determinable fair values	Debt security investments	Total
	RMB	RMB	RMB
<b>Balance as of December 31, 2023</b>	<b>2,919</b>	<b>2,000</b>	<b>4,919</b>
Additions	4,600	—	4,600
Fair value gain	—	348	348
<b>Balance as of December 31, 2024</b>	<b>7,519</b>	<b>2,348</b>	<b>9,867</b>
Additions	14,500	10,000	24,500
Fair value gain	8,624	2,339	10,963
<b>Balance as of December 31, 2025</b>	<b>30,643</b>	<b>14,687</b>	<b>45,330</b>
<b>Balance as of December 31, 2025 (US\$)</b>	<b>4,382</b>	<b>2,100</b>	<b>6,482</b>

***Equity investments without readily determinable fair values***

In 2017, the Group assisted a third party in acquiring a land use right from the Guangzhou City government. In return for the Group’s assistance services, the Group received a cash consideration of RMB41,117 and minority equity interests in an entity, whose sole asset is the aforementioned land use right. The Group elected to use the measurement alternative to measure this investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. As of December 31, 2024 and 2025, the carrying value of this investment was RMB2,919 and RMB2,919 (US\$417), respectively.

In 2024, the Group and a third-party vendor entered into an investment agreement to jointly invest in an entity principally engaging in research and development of power cells and batteries for electric vertical take-off and landing aircraft. The Group holds 4.12% equity interests and has no significant influence on investee’s business operations and financial decisions. The Group elected to use the measurement alternative to measure this investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. As of December 31, 2024 and 2025, the carrying value of this investment was RMB4,600 and RMB4,600 (US\$658), respectively.

In April 2025, the Group and three third-party investors jointly invested in an entity under control of the Group’s founder and Chairman of the Board, Mr. Huazhi Hu, which principally engages in research and development of unmanned mart yacht. The Group invested RMB14,500 (US\$2,073) to hold 4.63% equity interests and has no significant influence on investee’s business operations and financial decisions. The Group elected to use the measurement alternative to measure this investment at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. For the year ended December 31, 2025, the Group recorded investment income of RMB8,624 (US\$1,234) by reference to observable price quoted from latest round of investee’s equity financing from a third-party. As of December 31, 2025, the carrying value of this investment was RMB23,124 (US\$3,307).

***Debt security investments***

In September 2023 and June 2025, the Group acquired minority equity interests with redemption right in a solid-state lithium metal battery technology company for cash considerations of RMB2,000 and RMB10,000 (US\$1,430), respectively. The ordinary shares are redeemable at the option of the Group if the investee fails to launch the initial public offering by June 30, 2031. The Group elected to account for the investment at fair value option by using a combination of valuation methodologies, including the equity allocation model and the pricing of recent rounds of financing of the investee. For the years ended December 31, 2024 and 2025, the Group recognized the fair value change of RMB348 and RMB2,339 (US\$334), respectively.

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**11. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consisted of the following:

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
Payroll and welfare payables	62,548	87,406	12,499
Payables for acquisition of property and equipment	1,329	47,097	6,735
Other taxes payables	38,770	46,630	6,668
Payables for service fees	22,760	35,867	5,129
Product warranty liabilities (a)	9,953	20,906	2,990
Deposit payables	—	7,060	1,010
Government subsidy	5,000	5,000	715
Consideration payable to an equity method investment (Note 9)	3,500	3,500	500
Advance from customers	—	2,805	401
Accrued interests	719	569	81
Others	5,617	6,599	943
	<u>150,196</u>	<u>263,439</u>	<u>37,671</u>

(a) A reconciliation of the changes in the Group’s product warranty liability is as follows:

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Balance at the beginning of the years	3,780	3,886	14,492	2,072
Accruals	2,410	12,232	14,730	2,106
Claims	(594)	(124)	(2,496)	(357)
Reversal	(1,710)	(1,502)	(1,514)	(216)
Balance at the end of the years	3,886	14,492	25,212	3,605
Less: Non-current portion of warranty	(1,053)	(4,539)	(4,306)	(615)
Current portion of warranty	<u>2,833</u>	<u>9,953</u>	<u>20,906</u>	<u>2,990</u>

**12. Bank Loans**

As of December 31, 2024 and 2025, certain bank loans were pledged by some of Group’s intellectual property rights.

**Short-term bank loans**

In 2024, the Group obtained guaranteed bank loans amounted to RMB34,472 from several financial institutions in the PRC. The weighted average effective interest rate of the short-term bank loans was 3.6% per annum. The loans were repayable within one year with interests paid on a monthly or quarterly basis and guaranteed by the Group’s founder and Chairman of the Board, Mr. Huazhi Hu. The loans were repaid in full and on schedule in 2025.

In April 2024, the Group obtained a loan guaranteed by letter of credit amounting to RMB29,778. The weighted average effective interest rate on short-term bank loan is 2.2% per annum. The loan was repaid in April 2025.

In 2025, the Group obtained bank loans amounted to RMB219,582 (US\$31,400) from several financial institutions in the PRC, among which RMB49,823(US\$7,125) was guaranteed by the Group’s founder and director, Mr. Huazhi Hu. The weighted average effective interest rate of the short-term bank loans was 2.6% per annum. The loans are repayable within one year with interests paid on a monthly or quarterly basis. Among the short-term bank loans obtained in 2025, an amount of RMB20,000 (US\$2,860) was repaid within the same year.

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**12. Bank Loans (Continued)**

*Short-term bank loans (Continued)*

In April 2025, the Group obtained a loan guaranteed by letter of credit amounting to RMB29,561 (US\$4,227). The weighted average effective interest rate on short-term bank loan is 1.5% per annum. The loan is repayable within one year with interest recognized monthly.

*Long-term bank loans*

In 2024, the Group entered into long-term agreements with two banks in the PRC of total principals of RMB25,000, subject to effective interest rates of 3.0% per annum and 2.9% per annum, with maturity dates on March 24, 2027 and on December 14, 2027.

In 2025, the Group entered into long-term agreements with two banks in the PRC of total principals of RMB75,000 (US\$10,725), subject to effective interest rates of 2.4% per annum, 2.9% per annum and 3.0% per annum, with maturity dates on August 1, 2028, December 24, 2027 and on January 13, 2035.

As of December 31, 2024 and 2025, the principal amount of RMB10,500 and RMB9,800 (US\$1,401), respectively, was due within 12 months after the balance sheet date and presented as current liabilities in the consolidated balance sheet.

The combined aggregate amounts of maturities and sinking fund requirements for each of the five years are as follows:

	As of December 31,		
	2024	2025	
	RMB	RMB	US\$
Less than 1 year	10,500	9,800	1,401
Between 1 and 2 years	3,500	33,800	4,833
Between 2 and 3 years	17,000	29,400	4,204
Between 3 and 4 years	—	3,000	429
over 4 years	—	16,500	2,360
	<b><u>31,000</u></b>	<b><u>92,500</u></b>	<b><u>13,227</u></b>

As of December 31, 2025, long-term bank loans amounted to RMB55,500 (US\$7,936) were secured by mortgages of the Group’s building, in which approximately RMB6,000 (US\$858) will mature before December 31, 2026, in accordance with the repayment timeline under the relevant loan agreements. There was no property and equipment mortgage securing the long-term loans outstanding as of December 31, 2024.

As of December 31, 2024 and 2025, long-term bank loans amounted to RMB16,000 and RMB7,000 (US\$1,001) were guaranteed by the Group’s Chairman of the Board, Mr. Huazhi Hu, in which approximately RMB9,000 and RMB2,000 (US\$286) will mature within one year after the balance sheet dates, in accordance with the repayment timeline under the relevant loan agreements.

The carrying value of the long-term bank loans approximates its fair value as of December 31, 2024 and 2025. The interest rates under the loan agreements with the banks were determined based on the prevailing interest rates in the market. The Group classifies the valuation techniques that use these inputs as Level 2.

Certain Group’s banking facilities are subject to the fulfillment of certain financial covenants, including gearing ratio. The Group regularly monitors its compliance with these covenants. As of December 31, 2024 and 2025, none of the covenants was breached.

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**13. Mandatorily Redeemable Non-controlling Interests**

On June 15, 2020, the Group established a subsidiary named EHang Yunfu (Note 1). On June 30, 2020, the Group entered into an agreement with a third-party investor who subscribed 30% of the equity interests of EHang Yunfu for cash consideration of RMB40,000. At the sole discretion of the investor, the Group is obligated to repurchase the 30% non-controlling interest or with the consent of the investor, guarantee a third-party to repurchase the 30% non-controlling interests at the investor’s investment cost at the end of the five-year investment term. The non-controlling interests do not participate in any dividend distributions of EHang Yunfu but earn an after-tax interest of 1.5% per year, payable on a quarterly basis. As EHang Yunfu’s non-controlling interests are mandatorily redeemable at the sole discretion of the investor, it is classified as liability and subsequently measured at the amount that would be paid if settlement occurred at the reporting date.

In 2025, the Group repaid RMB40,000 (US\$5,720) to the investor, who has been deregistered from equity interests holder of Ehang Yunfu.

**14. Revenues**

The following table presents the disaggregation of revenue from contracts with the customers:

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
<b>Revenues - Products</b>				
Air mobility solutions	99,470	439,533	390,542	55,846
Others	1,490	1,108	14,495	2,073
Subtotal-Products	<u>100,960</u>	<u>440,641</u>	<u>405,037</u>	<u>57,919</u>
<b>Revenues - Services</b>				
Air mobility solutions	5,259	3,787	4,612	660
Others	11,207	11,724	8,332	1,191
Subtotal-Services	<u>16,466</u>	<u>15,511</u>	<u>12,944</u>	<u>1,851</u>
<b>Total Revenues</b>	<u><u>117,426</u></u>	<u><u>456,152</u></u>	<u><u>417,981</u></u>	<u><u>59,770</u></u>

**Payment terms**

For the Group’s Air mobility solutions and Aerial media solutions, the Group typically requires a portion of payments upfront and the remaining amounts are contractually due ranging from three to six months. Regarding the Smart city management solutions, the timing of billing varies depending on contractual payment schedules with milestone billings and the completion of the quality-assurance warranty period. In instances where the timing of revenue recognition differs from the timing of invoicing, the Group has determined that its contracts do not include a significant financing component at the inception of the contracts.

**Contract balances**

Contract balances include accounts receivable. Accounts receivable represents the billed amounts related to the Company’s rights to consideration as performance obligations are satisfied and the rights to payment become unconditional but for the passage of time.

Contract liabilities represent payments received from customers for which the corresponding products or services have not yet been transferred to customers. The contract liabilities were primarily contributed by advance from customers of sales of passenger-grade UAVs. Revenue of RMB4,309, RMB16,118 and RMB10,723 (US\$1,533) were recognized during the years ended December 31, 2023, 2024 and 2025 from the balance included in the contract liabilities on January 1, 2023, 2024 and 2025, respectively.

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**15. Share-based Compensation**

In order to provide additional incentives to employees and to promote the success of the Group’s business, the Group adopted a share incentive plan that was approved by the Board of Directors on December 23, 2016 (“the 2015 Plan”). As of December 31, 2025, under the 2015 Plan, the maximum aggregate number of ordinary shares that may be issued pursuant to all share-based awards (including restricted shares, RSUs and share options) is 8,867,053 ordinary shares.

In September 2019, the Company’s Board of Directors approved the 2019 Share Incentive Plan (“the 2019 Plan”), which become effective upon the completion of the Company’s IPO on December 12, 2019. As of December 31, 2025, under the 2019 Plan, the maximum aggregate number of ordinary shares that may be issued pursuant to all share-based awards (including restricted shares, RSUs and share options) is 13,941,558 ordinary shares.

In December 2023, the Company’s Board of Directors approved the 2023 Share Incentive Plan (“the 2023 Plan”), which become effective on December 22, 2023. As of December 31, 2025, under the 2023 Plan, the maximum aggregate number of ordinary shares that may be issued pursuant to all share-based awards (including restricted shares, RSUs and share options) is 11,905,990 ordinary shares.

Pursuant to 2015 Plan, 2019 Plan and 2023 Plan (collectively, the “Plans”), the members of the Board, consultant or employees are entitled to be granted share-based awards.

For the year ended December 31, 2023, the Company granted a total of 6,114,000 RSUs to the Group’s employees under the 2019 Plan. For the year ended December 31, 2024, the Company granted a total of 394,820 share options to the Group’s employees under the 2019 Plan and a total of 2,305,100 RSUs and 5,124,500 share options to the Group’s employees under the 2023 Plan. For the year ended December 31, 2025, the Company granted a total of 2,030,000 RSUs and 2,370,000 share options to the Group’s employees under the 2023 Plan. All of the RSUs and shares options are subject to service conditions and vest over the periods ranging from three months to four years, starting from the vesting inception date.

RSUs

The following table summarizes the Company’s RSUs activity under the Plans:

	Number of RSUs	Weighted average grant date fair value (US\$ per share)	Weighted average remaining contractual life (Years)
Unvested, December 31, 2022	2,678,000	8.8740	1.90
Granted	6,114,000	8.9809	
Vested	(2,255,250)	7.8054	
Forfeited	(9,000)	3.8500	
Unvested, December 31, 2023	6,527,750	9.3503	3.12
Granted	2,305,100	7.1700	
Vested	(2,460,000)	9.4054	
Forfeited	(4,000)	2.3500	
Unvested, December 31, 2024	6,368,850	8.5449	2.09
Granted	2,030,000	8.1417	
Vested	(2,292,025)	8.2877	
Forfeited	(25,000)	—	
Unvested, December 31, 2025	6,081,825	8.2322	2.14
Expected to vest as of December 31, 2025	6,081,825		

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**15. Share-based Compensation (Continued)**

The total share-based compensation expenses relating to RSUs for the years ended December 31, 2023, 2024 and 2025 were RMB151,485, RMB180,748 and RMB161,911 (US\$23,153), respectively. Total share-based compensation expense relating to RSUs capitalized to inventory was not material for any of the years presented.

As of December 31, 2025, there was RMB271,598 (US\$38,838) of unrecognized share-based compensation expenses related to RSUs which is expected to be recognized over a weighted average vesting period of 2.14 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future.

Share options

The following table summarizes the Company’s share options activity under the 2015 Plan:

	Number of share options	Weighted average grant date fair value (US\$ per share)	Weighted average exercise price (US\$ per share)
Outstanding as of January 1 2023, 2024 and 2025	53,737	2.2624	5.8853
Vested as of December 31, 2023, 2024 and 2025	53,737	2.2624	5.8853
Exercisable as of December 31, 2025	53,737	2.2624	5.8853

The following table summarizes the Company’s share options activity under the 2023 Plan:

	Number of options	Weighted average grant date fair value (US\$ per share)	Weighted average exercise price (US\$ per share)
Unvested, December 31, 2023	—	—	—
Granted	5,519,320	5.1312	0.0001
Vested	(2,413,570)	5.1487	0.0001
Forfeited	(34,500)	4.7675	0.0001
Unvested, December 31, 2024	3,071,250	5.0436	0.0001
Granted	2,370,000	7.2700	0.0001
Vested	(1,299,150)	5.5448	0.0001
Forfeited	(216,500)	5.5364	0.0001
Unvested, December 31, 2025	3,925,600	6.1375	0.0001
Expected to vest as of December 31, 2025	3,925,600		

The Group calculated the estimated fair value of the share options under the 2023 Plan on the grant date using the Black-Scholes valuation model. Assumptions used to determine the fair value of the share options granted under the 2023 Plan are summarized in the following table:

	For the year ended December 31,		
	2024	2025	
	Batch 1	Batch 2	Batch 3
Term in years	9.9	9.3	9.7
Volatility	78.00%	74.30%	79.70%
Discount rate	4.20%	3.70%	4.40%
Fair value per ordinary share (US\$ per share)	4.77	7.17	7.27

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**15. Share-based Compensation (Continued)**

The total share-based compensation expenses relating to share options for the years ended December 31, 2023, 2024 and 2025 were nil, RMB92,376 and RMB84,247 (US\$12,047), respectively. Total share-based compensation expense relating to share options capitalized to inventory was not material for any of the periods presented.

As of December 31, 2025, there was RMB134,390 (US\$19,218) of unrecognized share-based compensation expenses related to share options which is expected to be recognized over a weighted average vesting period of 2.38 years. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future.

Total share-based compensation expenses relating to RSUs and share options granted to employees recognized for the years ended December 31, 2023, 2024 and 2025 were as follows:

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Cost of revenues	—	—	416	59
Sales and marketing expenses	18,958	65,597	45,537	6,512
General and administrative expenses	79,327	134,984	154,838	22,142
Research and development expenses	53,200	72,543	45,367	6,487
	<u>151,485</u>	<u>273,124</u>	<u>246,158</u>	<u>35,200</u>

In July 2024, the Company’s Board of Directors approved the share-based compensation modification by accelerating and adjusting the vesting of 562,500 share options which shall be vested in next three years according to original vesting schedule, resulting in share-based compensation expense of RMB19,028 for the year ended December 31, 2024.

**16. Other non-operating expenses**

On December 4, 2023, a securities class action complaint (captioned Pujo v. EHang Holdings Limited, No. 2:23-cv-10165 (C.D. Cal.)) was filed by purported holders of the Company’s ADSs in federal court (“the Court”). The complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and generally alleged that the Company and certain of its officers and directors made false and misleading statements regarding the Company’s business, operations, and prospects, among other allegations. The complaint was based in large part on a November 7, 2023, report issued by short seller Hindenburg Research. The complaint named as defendants certain of the Company’s officers and directors. The complaint seeks unspecified monetary damages on behalf of the putative class and an award of costs and expenses, including reasonable attorneys’ fees.

The Company and the lead plaintiff (“The Parties”) participated in private mediation on July 1, 2025 and on July 3, 2025, the Parties agreed to settle the matter for US\$1,985. On July 7, 2025, the Parties notified the Court that they had reached an agreement in principle and anticipated filing a motion for preliminary approval of the settlement. The Parties have executed stipulation of settlement by their undersigned counsel effective as of August 11, 2025, and determined the settlement fee of US\$1,985. As of December 31, 2025, Ehang has paid a settlement amount of US\$1,985. On January 12, 2026, the Court granted final approval of the class action settlement.

For the year ended December 31, 2025, the Company recorded the settlement fee of US\$1,985 (equivalent to RMB14,254) in other non-operating expenses as the loss from aforementioned shareholder securities litigation.

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**17. Income Taxes**

***Cayman Islands***

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain arising in Cayman Islands.

***Austria***

EHang GmbH is subject to Austria profits tax of 23% on its activities conducted in Austria.

***France***

EHang France was subject to France profits tax of 28% on its activities conducted in France.

***Spain***

EHang Spain is subject to Spain profits tax of 23% on its activities conducted in Spain.

***Hong Kong***

Ehfly and EHang HK are incorporated in Hong Kong and are subject to Hong Kong profits tax. Hong Kong profits tax for a corporation from the year of assessment 2018 and 2019 onwards is generally 8.25% on assessable profits up to HK\$2.0 million; and 16.5% on any part of assessable profits over HK\$2.0 million.

***PRC***

The Company’s subsidiaries and the VIEs in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the “EIT Law”), which was effective since January 1, 2008 except for certain entities eligible for preferential tax rates.

In accordance with the PRC Income Tax Laws, an enterprise awarded with the High and New Technology Enterprise (“HNTE”) certificate may enjoy a reduced EIT rate of 15%. For the year ended December 31, 2023, 2024 and 2025, EHang Intelligent and EHang GZ were qualified as HNTE and eligible for a 15% preferential rate.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in R&D activities are entitled to claim an additional tax deduction amounting to 50% of the qualified R&D expenses incurred in determining its tax assessable profits for that year. The additional tax deduction amount of the qualified R&D expenses has been increased from 50% to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 (“Super Deduction”). According to Announcement of the Ministry of Finance and the State Taxation Administration [2021] No.13 (“Circular 13”), manufacturing enterprise with qualified R&D expenses could enjoy R&D Super Deduction, i.e. to claim additional 100% R&D expenses on top of those actually incurred. Subsequently, pursuant to Announcement of the Ministry of Finance and the State Taxation Administration 2023 No. 7, effective from January 1, 2023, all eligible enterprises are entitled to claim an additional 100% deduction for qualified R&D expenses. EHang GZ, EHang Intelligent, EHang Yunfu and Hefei EHang Intelligent Equipment Co., Ltd. were entitled to 100% super deduction.

Dividends, interests, rent or royalties payable by the Company’s PRC subsidiaries, to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor’s disposition of assets (after deducting the net value of such assets) shall be subject to 10% withholding tax, unless the respective non-PRC resident enterprise’s jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax.

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**17. Income Taxes (Continued)**

Income tax expenses (benefits) comprises of:

	For the year ended December 31,			
	2023 RMB	2024 RMB	2025 RMB    US\$	
<b>Income tax expenses applicable to PRC operations</b>				
Current income tax expenses	181	281	2,297	329
Deferred income tax benefits	—	—	(6,969)	(997)
<b>Subtotal income tax expenses (benefits) applicable to PRC operations</b>	<u>181</u>	<u>281</u>	<u>(4,672)</u>	<u>(668)</u>
<b>Income tax expenses applicable to Non-PRC operations</b>				
Current income tax expenses	25	105	263	38
<b>Subtotal income tax expenses applicable to Non-PRC operations</b>	<u>25</u>	<u>105</u>	<u>263</u>	<u>38</u>
<b>Total income tax expenses (benefits)</b>	<u><u>206</u></u>	<u><u>386</u></u>	<u><u>(4,409)</u></u>	<u><u>(630)</u></u>

Upon adoption of ASU 2023-09, Improvements to Income Tax Disclosures, reconciliations of the income tax expenses (benefits) computed by applying the PRC statutory income tax rate of 25% to the Group’s income tax expenses (benefits) for the year ended December 31, 2025 is presented as follows:

	For the year ended December 31, 2025		
	RMB	US\$	Percent
<b>Income tax benefits at PRC statutory tax rate of 25%<sup>(1)</sup></b>	<u>(70,205)</u>	<u>(10,039)</u>	<u>25.0%</u>
<b>Other jurisdictions tax effects</b>			
<b>Cayman</b>			
Effect of different tax rates in different jurisdictions	(2,055)	(294)	0.7
<b>Other jurisdictions</b>	92	13	—
<b>Change in valuation allowance</b>	18,812	2,690	(6.7)
<b>Nontaxable or non-deductible items</b>			
Share-based compensation expenses	36,605	5,234	(13.0)
Additional deduction for qualified R&D expenses	(19,822)	(2,835)	7.1
Others	1,231	177	(0.5)
<b>Others</b>			
Effect on adoption of preferential tax rate	30,933	4,424	(11.0)
<b>Income tax expenses (benefits)</b>	<u>(4,409)</u>	<u>(630)</u>	<u>1.6%</u>
<b>Effect of preferential tax rate inside the PRC on basic and dilutive loss per share</b>	<u>—</u>	<u>—</u>	

(1) The PRC statutory tax rate is used for the reconciliation as the majority of the Group’s operations are based in the PRC.

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**17. Income Taxes (Continued)**

Reconciliations of the income tax expense computed by applying the PRC statutory income tax rate of 25% to the Group’s income tax expense for the years ended December 31, 2023 and 2024 in accordance with the guidance prior to the adoption of ASU 2023-09 presented are as follows:

	For the year ended December 31,	
	2023	2024
	RMB	RMB
Loss before income tax expense	(302,135)	(229,646)
PRC statutory tax rate <sup>(1)</sup>	25%	25%
Income tax benefits at PRC statutory tax rate of 25%	(75,534)	(57,412)
Effect of different tax rates in different jurisdictions	(354)	(547)
Non-deductible expenses <sup>(2)</sup>	24,855	42,563
Additional deduction for qualified R&D expenses	(16,012)	(17,941)
Effect on adoption of preferential tax rate	27,227	24,566
Others	252	163
Change in valuation allowance	39,772	8,994
<b>Income tax expenses</b>	<b>206</b>	<b>386</b>
<b>Effect of preferential tax rate inside the PRC on basic and dilutive loss per share</b>	<b>—</b>	<b>—</b>

- (1) The PRC statutory tax rate is used for the reconciliation as the majority of the Group’s operations are based in the PRC.  
(2) For the years ended December 31, 2023 and 2024, non-deductible expenses mainly represent the share-based compensation expenses.

Upon adoption of ASU 2023-09, Improvements to Income Tax Disclosures, cash paid for income taxes, net of refunds, during the year ended December 31, 2025 was as follows:

	For the year ended December 31, 2025	
	RMB	US\$
PRC	781	112
Hong Kong	82	12
Other jurisdictions	16	2
<b>Total cash paid for income tax</b>	<b>879</b>	<b>126</b>

Cash paid for income taxes, net of refunds, during the years ended December 31, 2023 and 2024 was RMB184 and RMB101, respectively.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**17. Income Taxes (Continued)**

The significant components of the Group’s deferred tax assets(liabilities) were as follows:

	As of December 31,			
	2023 RMB	2024 RMB	2025 RMB      US\$	
<b>Non-current deferred tax assets</b>				
Tax losses	160,563	169,879	189,984	27,167
Lease liabilities	13,103	21,477	20,522	2,935
Expected credit losses	20,337	16,264	18,102	2,589
Welfare payables	5,208	6,382	8,093	1,157
Accruals and others	875	2,527	4,122	589
Unrealized profit arising from elimination of inter-company transactions	(146)	132	2,753	394
Inventory provision	1,397	1,421	1,357	194
Intangible assets	—	65	101	14
Total deferred tax assets	201,337	218,147	245,034	35,039
Less: valuation allowance	(189,418)	(198,412)	(218,223)	(31,205)
<b>Deferred tax assets, net of valuation allowance</b>	<b>11,919</b>	<b>19,735</b>	<b>26,811</b>	<b>3,834</b>
<b>Non-current deferred tax liabilities</b>				
Right-of-use assets	(11,919)	(19,682)	(18,039)	(2,579)
Unrealized gain on investments accounted for using equity method and other investments	(292)	(345)	(2,095)	(300)
<b>Total deferred tax liabilities</b>	<b>(12,211)</b>	<b>(20,027)</b>	<b>(20,134)</b>	<b>(2,879)</b>
<b>Deferred tax assets, net</b>	<b>—</b>	<b>—</b>	<b>6,969</b>	<b>997</b>
<b>Deferred tax liabilities, net</b>	<b>(292)</b>	<b>(292)</b>	<b>(292)</b>	<b>(42)</b>

Movement of valuation allowance is as follows:

	For the year ended December 31,			
	2023 RMB	2024 RMB	2025 RMB      US\$	
<b>Valuation allowance</b>				
Balance at the beginning of the years	149,646	189,418	198,412	28,372
Additions	39,853	21,550	31,526	4,508
Tax loss utilized	(81)	(12,556)	(11,715)	(1,675)
Balance at the end of the years	<b>189,418</b>	<b>198,412</b>	<b>218,223</b>	<b>31,205</b>

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**17. Income Taxes (Continued)**

For the years ended December 31, 2024 and 2025, with the growth of its business performance, some subsidiaries of the Group are generating profits and utilizing tax losses brought forward from prior years.

As of December 31, 2023, 2024 and 2025, the Group had deductible tax losses of RMB976,068, RMB1,034,638 and RMB1,154,646 (US\$165,112) derived from entities in the PRC. The tax losses in PRC can be carried forward for five years to offset future taxable profit, and the period was extended to ten years for entities qualified as HNTE in 2018 and thereafter. The tax losses of entities in the PRC began to expire from December 31, 2026 to 2035 if not utilized.

As of December 31, 2023, 2024 and 2025, the Group had deductible tax losses of RMB31,890, RMB32,893 and RMB29,463 (US\$4,213) derived from entities in Hong Kong that will not expire if not utilized.

***Unrecognized Tax Benefit***

As of December 31, 2024 and 2025, the Group had unrecognized tax benefit of RMB5,480 and RMB5,480 (US\$784), respectively. The unrecognized tax benefit was mainly related to the withholding tax accrued for the facilitating service in the acquisition of land use right from Guangzhou government by EHang HK on behalf of a third-party buyer in 2017 and under-reported statutory profits before tax. The Group does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. The unrecognized tax benefits of RMB5,480 (US\$784), if ultimately recognized, will impact the effective tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefit was as follows:

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
Balance at the beginning of the years	(5,480)	(5,480)	(5,480)	(784)
Balance at the end of the years	(5,480)	(5,480)	(5,480)	(784)

The Group did not record any significant interest and penalties related to an uncertain tax position for the years ended December 31, 2023, 2024 and 2025. No accumulated interest expenses and penalties were recorded in unrecognized tax benefit as of December 31, 2023, 2024 and 2025, respectively.

The material jurisdictions in which the Group is subject to potential examination is China. In general, the PRC tax authorities have up to five years to review a company’s tax filings. As of December 31, 2025, the tax years ended December 31, 2020 through year ended as of the reporting dates for WFOE, the VIEs remain open to examination by the PRC tax authorities.

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**18. Related Party Transactions**

The principal related parties with which the Group had transactions during the years presented are as follows:

<u>Name of Entity or Individual</u>	<u>Relationship with the Company</u>
Mr. Huazhi Hu	Principal Shareholder of the Company, Chairman of the Board and Chief Executive Officer
Hefei Heyi Aviation Co., LTD (“Hefei Heyi”)	A company over which the Group has significant influence
Zhejiang Zhiyi Navigation Co., Ltd. (“Zhejiang Zhiyi”)	A company over which the Group has significant influence
Guangzhou Yitong Zhihang Technology Co., Ltd. (“Yitong Zhihang”)	A company over which the Group has significant influence
Hangzhou Zhongan Aviation Co., LTD (“Hangzhou Zhongan”)	A company over which the Group has significant influence
Wanyi Tianxia (Zhuhai) Aviation Co., LTD (“Wanyi Tianxia”)	A company over which the Group has significant influence
Guangxi Fengshan Fengyi Aviation Service Co., LTD (“Fengshan Fengyi”)	A company over which the Group has significant influence
Xinjiang Xiyu Qingniao General Aviation Co., Ltd. (“Xiyu Qingniao”)	A company over which the Group has significant influence
Wuxi Liangyun low-altitude commercial operation management Co., LTD (“Wuxi Liangyun”)	A company over which the Group has significant influence
Shenzhen Pengcheng Wing General Aviation Co., Ltd. (“Pengcheng Wing”)	A company over which the Group has significant influence
Yihang Zhifang Equipment (Guangzhou) Co., Ltd. (“Zhifang”)	A company controlled by the Group’s founder and director
RedChip Strategy Limited (“RedChip”)	A company wholly owned by a director, classified as a related party of the Group on November 24, 2025 upon its shareholder’s appointment to the Group’s director

**(1) Transaction with related parties**

(i) Sales of products

	<u>For the year ended December 31,</u>			
	<u>2023</u>	<u>2024</u>	<u>2025</u>	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
Hefei Heyi	—	106	13,278	1,899
Zhejiang Zhiyi	—	—	16	2
Yitong Zhihang	3,009	—	13	2
Hangzhou Zhongan	—	—	9	1
Wanyi Tianxia	—	18	—	—
Fengshan Fengyi	—	9	—	—
Xiyu Qingniao	8,850	—	—	—
<b>Total</b>	<b><u>11,859</u></b>	<b><u>133</u></b>	<b><u>13,316</u></b>	<b><u>1,904</u></b>

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**18. Related Party Transactions (Continued)**

**(1) Transaction with related parties (Continued)**

(ii) Provision of services

	<b>For the year ended December 31,</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>	
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
Wanyi Tianxia	—	94	132	19
Fengshan Fengyi	—	—	89	12
Hefei Heyi	—	599	85	12
Wuxi Liangyun	—	33	41	6
Pengcheng Wing	—	—	28	4
Yitong Zhihang	—	499	19	3
<b>Total</b>	<b>—</b>	<b>1,225</b>	<b>394</b>	<b>56</b>

(iii) Receipt of services

The Group maintained a consulting agreement with consulting firm RedChip. The consulting fees incurred during the period from November 24, 2025 to December 31, 2025 amounted to RMB1,127 (US\$161), which were settled via a combination of cash and RSUs.

**(2) Contract liabilities from sales of products**

	<b>As of December 31,</b>		
	<b>2024</b>	<b>2025</b>	
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
Xiyu Qingniao	2,000	2,279	326
Fengshan Fengyi	—	28	4
<b>Total</b>	<b>2,000</b>	<b>2,307</b>	<b>330</b>

**(3) Amount due from related parties for the sales of products and services**

	<b>As of December 31,</b>		
	<b>2024</b>	<b>2025</b>	
	<b>RMB</b>	<b>RMB</b>	<b>US\$</b>
Hefei Heyi	465	5,380	769
Pengcheng Wing	—	30	4
Wanyi Tianxia	40	—	—
Less: expected credit losses provision	(47)	(222)	(32)
<b>Total</b>	<b>458</b>	<b>5,188</b>	<b>741</b>

**(4) Guarantee received for borrowings**

As of December 31, 2024 and 2025, RMB34,472 and RMB29,941 (US\$4,282) short-term bank loans, and RMB16,000 and RMB7,000 (US\$1,001) long-term bank loans were guaranteed by the Group’s founder and Chairman of the Board, Mr. Huazhi Hu.

**(5) Loans to a related party**

In 2025, the Group extended several loans amounting to RMB5,000 (US\$715) to Hefei Heyi, with an annual interest rate of 3%. A partial repayment of RMB3,000 (US\$429) was received in December 2025, and as of December 31, 2025, the outstanding principal and interest totaled RMB2,070 (US\$296). The remaining balance of the loans were settled in March 2026.

**(6) Investment in a related entity**

In April 2025, the Group invested in Zhifang under the control of the Group’s founder and Chairman of the Board, Mr. Huazhi Hu, which principally engages in research and development of unmanned mart yacht, for a total consideration of RMB14,500 (US\$2,073) to acquire 4.63% equity interests of the investee.

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**19. Shareholders’ Equity**

***Ordinary Shares***

In April 2023, the Company completed its issuance of 3,466,204 Class A ordinary shares to Qingdao investor in private placement for a total consideration of RMB66,486, net of issuance costs amounting to RMB2,374. In July 2023, the Company completed its issuance of 4,183,510 Class A ordinary shares to private placement led by South Korean strategic investor for a consideration of RMB163,563, net of issuance costs amounting to RMB1,000. Under the 2019 Plans approved by the Board, the Company issued 221,224 Class A ordinary shares at market price for cash consideration of RMB12,355 in 2023, resulting in the increase of additional paid-in capital.

On October 20, 2023, the Company issued and transferred 236,000 Class A ordinary shares to The Bank of New York Mellon, its depository bank to be issued to employees upon the vesting of restricted share units under the 2019 Plans.

For the year ended December 31, 2023, no Class B ordinary share was converted to Class A ordinary share. As of December 31, 2023, 461,516 Class A ordinary shares remain available for future issuance. These shares are legally issued but not outstanding for the purpose of accounting and thus are excluded from the basic net loss per share calculation.

On January 8, 2024 and May 8, 2024, the Company issued and transferred 778,890 ordinary shares to The Bank of New York Mellon, its depository bank to be issued to employees upon the vesting of restricted share units under the 2019 Plans and 2023 Plans.

In April 2024, the Company entered into an At Market Issuance Sales Agreement with China Renaissance Securities (Hong Kong) Limited relating to the sale of ADSs for an aggregate offering price of up to US\$100 million from time to time through or to the sales agent, as agent or principal. In 2024, the company issued and transferred 10,800,000 ordinary shares to The Bank of New York Mellon for at-the-market offering. For the year ended December 31, 2024, the Company had raised gross proceeds of US\$76,243 (equivalent to RMB541,997) including issuance costs of US\$2,324 (equivalent to RMB16,518) through sales of 9,231,510 ordinary shares in the at-the-market offering.

In November 2024, the Company completed its issuance of 1,351,488 Class A ordinary shares to a strategic investor from the Middle East in private placement for a total gross consideration of US\$10,000 (equivalent to RMB71,786). In November 2024, the Company completed its issuance of 1,866,666 Class A ordinary shares to a Zhuhai investor in private placement for a total gross consideration of US\$12,600 (equivalent to RMB90,603). The aggregate amount of issuance costs for aforementioned private placements was RMB271 (US\$37). Under the 2019 Plans approved by the Board, the Company issued 110,180 Class A ordinary shares at market price for cash consideration of RMB5,999 (US\$822) in 2024, resulting in the increase of additional paid-in capital.

In November 2024, the Board of Directors of the Company authorized a share repurchase program (“Share Repurchase Program”) under which the Company may repurchase up to US\$30 million worth of its Class A ordinary shares, including those in the form of ADSs over the following 12 months. The share repurchases may be made in accordance with applicable laws and regulations through open market transactions, privately negotiated transactions or other legally permissible means as determined by the management. For the year ended December 31, 2024, the Company repurchased 100,000 ADSs for RMB10,085 on the open market, at a weighted average price of US\$13.99 per ADS. The Company accounts for the repurchased ordinary shares under the cost method and includes such treasury shares as a component of the shareholders’ equity.

For the year ended December 31, 2024, no Class B ordinary share was converted to Class A ordinary share. As of December 31, 2024, 1,704,790 Class A ordinary shares remain available for future issuance. These shares are legally issued but not outstanding for the purpose of accounting and thus are excluded from the basic net loss per share calculation.

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**19. Shareholders’ Equity (Continued)**

***Ordinary Shares (Continued)***

On June 27, 2025, the Company issued and transferred 1,400,000 ordinary shares to The Bank of New York Mellon for at-the-market offering. The Company had raised gross consideration of US\$23,757 (equivalent to RMB170,146 ) through sales of 2,769,184 ordinary shares in the at-the-market offering. The corresponding issuance costs was US\$639 (equivalent to RMB4,577).

On December 1, 2025, the Company issued and transferred 1,000,000 ordinary shares to The Bank of New York Mellon, its depository bank to be issued to employees upon the vesting of restricted share units under the 2019 Plans and 2023 Plans. For the year ended December 31, 2025, 3,614,413 Class A ordinary shares were issued pursuant to the vesting of restricted share units, among which 811,138 Class A ordinary shares were settled with shares held by the depository bank.

For the year ended December 31, 2025, no Class B ordinary shares were converted to Class A ordinary shares. As of December 31, 2025, 520,486 Class A ordinary shares remain available for future issuance. These shares are legally issued but not outstanding for the purpose of accounting and thus are excluded from the basic net loss per share calculation.

As of December 31, 2025, there were 111,215,614 Class A and 39,026,560 Class B ordinary shares outstanding.

***Additional Paid-in Capital***

As detailed above, for the year ended December 31, 2023, issuance of Class A ordinary shares to the Qingdao investor and South Korean investors arising from private placements resulted in the increase of additional paid-in capital amounted to RMB66,484 and RMB163,560, respectively, and the issuance of Class A ordinary shares at market price for cash resulted in the increase of additional paid-in capital amounted to RMB12,355.

For the year ended December 31, 2024, the issuance of Class A ordinary shares to the strategic investor from the Middle East and Zhuhai investors arising from private placements resulted in the increase of additional paid-in capital amounted to RMB71,786 and RMB90,330, respectively, and the issuance of Class A ordinary shares at market price for cash and the issuance of Class A ordinary shares in the at-the-market offering resulted in the increase of additional paid-in capital amounted to RMB5,999 and RMB525,471, respectively.

For the year ended December 31, 2025, the issuance of Class A ordinary shares in the at-the-market offering resulted in the increase of additional paid-in capital amounting to RMB165,567 (US\$23,676).

In January 2022, the Company withheld the individual income tax of RMB11,230 for employees’ vested share-based awards and made the cash payment to tax authorities. Concurrently, the Company withheld and received equivalent ADSs shares with fair value of RMB11,230 on that day from the employees for clearance of the individual income tax. The amount was debited to additional paid-in capital. For the year ended December 31, 2023, 2024 and 2025, the Company has sold ADSs shares for cash consideration of RMB7,795, RMB4,532 and RMB76 (US\$11), respectively.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

**19. Shareholders’ Equity (Continued)**

*Accumulated Other Comprehensive Income*

	<u>Foreign currency translation adjustment</u>
	RMB
<b>Balance as of December 31, 2022</b>	<b>15,010</b>
Other comprehensive income	69
<b>Balance as of December 31, 2023</b>	<b>15,079</b>
Other comprehensive income	10,460
<b>Balance as of December 31, 2024</b>	<b>25,539</b>
Other comprehensive loss	(22,934)
<b>Balance as of December 31, 2025</b>	<b>2,605</b>
<b>Balance as of December 31, 2025 (US\$)</b>	<b>373</b>

**20. Acquisition of non-controlling interests**

The Group, via Ehang GZ, held 60% interest in EHang Egret GD, which in turn held 60% interest in Xi’an EHang Egret Media Technology Co. Ltd. (“EHang Egret Xi’an”). In March 2023, to further develop the aerial media solutions business under the brand of “Egret” of Ehang Egret GD, the Group entered into an agreement to acquire 40% interest of EHang Egret GD from the non-controlling shareholder and dispose of 60% equity interests in EHang Egret Xi’an to the same non-controlling shareholder. Total consideration was RMB10,711, comprising of cash consideration of RMB4,000 and the Group’s share of net asset value in EHang Egret Xi’an amounting to RMB6,711, including cash of RMB2,920. The difference between the total consideration and non-controlling interest was charged to additional paid-in capital. Total cash outflow for the acquisition was RMB6,920.

Upon completion of the transactions, Ehang GZ holds 100% interest of EHang Egret GD and no longer had any interest in Ehang Egret Xi’an. Subsequently, Ehang Egret Xi’an eliminated “Ehang” and “Egret” in its name and did not have further business with the Group.

**21. Loss Per Share**

The following table sets forth the computation of basic and diluted net loss per share for the following periods:

	2023		For the year ended December 31,				2025	
	2024		2024		2025		2025	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
	RMB	RMB	RMB	RMB	RMB	US\$	RMB	US\$
<b>Numerator:</b>								
Net loss attributable to EHang Holdings Limited	(204,787)	(96,913)	(163,038)	(66,738)	(202,541)	(28,963)	(73,436)	(10,502)
<b>Net loss attributable to EHang Holdings Limited’s ordinary shareholders</b>	<b>(204,787)</b>	<b>(96,913)</b>	<b>(163,038)</b>	<b>(66,738)</b>	<b>(202,541)</b>	<b>(28,963)</b>	<b>(73,436)</b>	<b>(10,502)</b>
<b>Denominator (in thousands of shares):</b>								
<b>Weighted-average number of ordinary shares outstanding – basic and diluted (in thousands of shares)</b>	<b>82,467</b>	<b>39,027</b>	<b>95,340</b>	<b>39,027</b>	<b>107,638</b>	<b>107,638</b>	<b>39,027</b>	<b>39,027</b>
<b>Loss per share – basic and diluted</b>	<b>(2.48)</b>	<b>(2.48)</b>	<b>(1.71)</b>	<b>(1.71)</b>	<b>(1.88)</b>	<b>(0.27)</b>	<b>(1.88)</b>	<b>(0.27)</b>

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
**except for number of shares and per share data)**

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**21. Loss Per Share (Continued)**

The Company had potential dilutive securities such as unvested RSUs and options granted. As the Group incurred losses for the years ended December 31, 2023, 2024 and 2025, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company. The weighted-average numbers of non-vested RSUs and non-vested share options excluded from the calculation of diluted net loss per share of the Company were 2,606,391, 9,771,921 and 8,861,587 as of December 31, 2023, 2024 and 2025, respectively.

**22. Restricted Net Assets**

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiary and the VIEs. Relevant PRC statutory laws and regulations permit payments of dividends by the Company’s PRC subsidiaries, the VIEs 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 consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s subsidiaries and VIEs.

Prior to January 1, 2025, in accordance with the laws applicable to China’s Foreign Investment Enterprises, the Group’s subsidiaries registered as WFOEs have to make appropriations from its after-tax profit (as determined under the PRC GAAP) to reserve funds including general reserve fund, and staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the company. Appropriation to the staff bonus and welfare fund is made at the discretion of the company. With effect from January 1, 2025, no appropriations shall be made to the general reserve fund, the enterprise expansion fund or the staff welfare and bonus fund. Any distribution of profit shall comply with the Company Laws of the PRC. For the years ended December 31, 2023, 2024 and 2025, the WFOEs made appropriations to general reserve fund and statutory surplus fund of nil, nil and RMB1,421 (US\$203), respectively.

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.

Foreign exchange and other regulations in the PRC may further restrict the Group’s VIEs from transferring funds to the Company in the form of dividends, loans and advances. Amounts restricted include paid-in capital and statutory reserves of the Group’s PRC subsidiaries and the equity of the VIEs, as determined pursuant to PRC generally accepted accounting principles. As of December 31, 2025, restricted net assets of the Company’s PRC subsidiaries and the VIEs was RMB201,401 (US\$28,800).

For the year ended December 31, 2025, the Company performed a test on the restricted net assets of its consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), “General Notes to Financial Statements” and concluded that the restricted net assets do not exceed 25% of the consolidated net assets of the Company as of December 31, 2025 and the condensed financial information of the Company are not required to be presented.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),  
except for number of shares and per share data)

**23. Fair Value Measurements**

*Fair value measurements on a recurring basis*

Assets measured or disclosed at fair value on a recurring basis as of December 31, 2024 and 2025 are summarized below:

	<b>Fair Value Measurements as of December 31, 2024 using</b>			
	<b>Quoted Price in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total fair value</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b><i>Fair value measurements</i></b>				
Derivative assets – foreign exchange forward contracts	—	8	—	8
Short-term investments	119,928	393,755	—	513,683
Debt security investment	—	—	2,348	2,348
<b>Total assets measured at fair value</b>	<b>119,928</b>	<b>393,763</b>	<b>2,348</b>	<b>516,039</b>

	<b>Fair Value Measurements as of December 31, 2025 using</b>			
	<b>Quoted Price in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>	<b>Total fair value</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b><i>Fair value measurements</i></b>				
Derivative assets – foreign exchange forward contracts	—	314	—	314
Short-term investments	224,327	618,905	—	843,232
Debt security investment	—	—	14,687	14,687
<b>Total assets measured at fair value</b>	<b>224,327</b>	<b>619,219</b>	<b>14,687</b>	<b>858,233</b>

The Group values its derivative instruments using the redemption forward rate by the issuing financial institutions that are not market observable inputs, and accordingly the Group classifies the valuation techniques that use these inputs as Level 2.

The fair value of short-term investments with observable inputs are determined based on unadjusted quoted prices in active market, while the fair value of short-term investments without fully observable quoted price are measured using the market approach, based on quoted prices for identical or similar instrument and other significant inputs derived from or corroborated by observable market data. The Group classifies the valuation techniques that use the unadjusted quoted prices as Level 1 of fair value measurements, and classifies the valuation techniques that use market approach as Level 2.

Debt security investment did not have readily determinable market values and are categorized as Level 3 in the fair value hierarchy. The Group used a combination of valuation methodologies, including the equity allocation model, market and income approaches based on the Group’s best estimate, which were determined by using information including but not limited to the pricing of recent rounds of financing of the investees.

**EHANG HOLDINGS LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),**  
**except for number of shares and per share data)**

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**23. Fair Value Measurements (Continued)**

*Fair value measurements on non-recurring basis*

The Group measures investments without readily determinable fair values on a non-recurring basis when changes in fair value can be determined based on observable and relevant market information. Related adjustments, primarily those related to impairment, are recorded as appropriate based on such observable information. Observable price changes generally result from new financing rounds of the investees. The Group determines whether the securities issued in these new financing rounds are similar to the equity securities it holds by comparing the rights and obligations associated with each. If the securities issued in the new financing rounds are determined to be similar to those held by the Group, it directly uses or adjusts the observable price of the similar security to determine the adjustment amount to be recorded. Investments for which the Group directly applies a qualifying observable price are classified within Level 2. Those measured using a combination of valuation methodologies, including the backsolve method based on an equity allocation, are categorized within Level 3.

For the years ended December 31, 2023, 2024 and 2025, the Company recorded investment income of nil, nil and RMB8,624 (US\$1,234), respectively, from the fair value gain on investments without readily determinable fair values. No impairment losses were recognized on these investments in any of the presented years.

There were no other assets or liabilities measured at a recurring or non-recurring basis as of December 31, 2024 and 2025. The Group measures certain financial and non-financial assets, including long-lived assets, at fair value on a non-recurring basis when impairment charges are recognized.

**24. Commitments and Contingencies**

**(a) Capital Commitments**

*Property, plant and equipment commitments*

The Group's capital commitments primarily relate to commitments in connection with the improvement of its office building. Total capital commitments contracted but not yet reflected in the financial statements amounted to RMB10,184 and RMB30,064 (US\$4,299) as of December 31, 2024 and 2025, respectively. Almost all of the commitments relating to the improvement of the office building are to be fulfilled within one year.

*Investment commitments*

The Group's investment commitments primarily relate to capital contribution obligations under certain arrangements. The total investment commitments contracted but not yet reflected in the consolidated financial statements amounted to RMB3,150 and RMB29,880 (US\$4,273) as of December 31, 2024 and 2025. As of December 31, 2025, capital contribution obligations of RMB20,880 (US\$2,986) are to be fulfilled within one year and RMB9,000 (US\$1,287) are to be fulfilled over one year.

**(b) Contingencies**

The Group is subject to legal and regulatory actions that arise from time to time. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such loss is estimable, often involves significant judgment about future events, and the outcome of litigation is inherently uncertain. The Group is currently not in any legal or administrative proceedings that may have a material adverse impact on the financial position, results of operations or cash flows of the Group.

**25. Subsequent Events**

**(a) Grant of RSUs and Share Options**

In March 2026, the Company's Board of Directors has granted 2,100,000 RSUs and 2,680,000 share options to executives and employees under the 2019 Share Incentive Plan and the 2023 Share Incentive Plan. The fair value of RSUs and share options granted are US\$9,587 and US\$12,234, respectively.

**(b) Investment in a limited partnership**

In February 2026, the Group entered into a subscription agreement with a limited partnership to become a general partner and paid total consideration of RMB12,500. Management is still in progress assessing the accounting impact for this investment.

**List of Principal Subsidiaries and Consolidated Affiliated Entities**

**Principal Subsidiaries**

Ehfly Technology Limited  
EHang Intelligent Equipment Co., Ltd.  
Yunfu EHang Intelligent Technology Limited

**Place of Incorporation**

Hong Kong  
PRC  
PRC

**Consolidated Affiliated Entities**

Guangzhou EHang Intelligent Technology Co., Ltd.  
Guangdong EHang General Aviation Co., Ltd.

**Place of Incorporation**

PRC  
PRC

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Huazhi Hu, certify that:

1. I have reviewed this annual report on Form 20-F of EHang Holdings Limited;
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: May 15, 2026

By: /s/ Huazhi Hu  
Name: Huazhi Hu  
Title: Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Conor Chia-hung Yang, certify that:

1. I have reviewed this annual report on Form 20-F of EHang Holdings Limited;

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: May 15, 2026

By: /s/ Conor Chia-hung Yang  
Name: Conor Chia-hung Yang  
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of EHang Holdings Limited (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, Huazhi Hu, 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: May 15, 2026

By: /s/ Huazhi Hu  
Name: Huazhi Hu  
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of EHang Holdings Limited (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, Conor Chia-hung Yang, 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: May 15, 2026

By: /s/ Conor Chia-hung Yang  
Name: Conor Chia-hung Yang  
Title: Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-237769 and No. 333-278954) of EHang Holdings Limited of our report dated May 15, 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  
Shenzhen, the People's Republic of China  
May 15, 2026



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CONSENT LETTER

To **EHang Holdings Limited**

1 No. 118 Dongjiang Avenue,  
Huangpu District, Guangzhou, 510730  
People's Republic of China

May 15, 2026

Dear Sir/Madam:

We hereby consent to the reference of our name under the headings “Item 3. Key Information—Our Corporate Structure and Contractual Arrangements with the VIE and its Shareholders”, “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure”, “Item 4. Information on the Company—C. Organizational Structure”, “Item 4. Information on the Company—B. Business Overview—PRC Regulation” and “Item 10. Additional Information—E. Taxation—PRC Taxation” in EHang Holdings Limited’s Annual Report on 20-F for the year ended December 31, 2025 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) on the date hereof, and further consent to the incorporation by reference of the summary of our opinion under these headings into the Registration Statements on Form S-8 (No. 333-237769 and No. 333-278954) and Form F-3 (No. 333-278830) of EHang Holdings Limited. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report. We also consent to the filing of this consent letter with the SEC 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.

[The remainder of this page is intentionally left blank.]  
[Signature Page]

Yours faithfully,

/s/ Zhong Lun Law Firm  
\_\_\_\_\_  
Zhong Lun Law Firm



**Our ref** YCU/752797-000001/31649581v1

EHang Holdings Limited  
11/F Building One, EHang Technology Park  
No. 29 Bishan Blvd., Huangpu District  
Guangzhou, 510700  
People's Republic of China

May 15, 2026

Dear Sirs

**EHang Holdings Limited**

We have acted as legal advisers as to the laws of the Cayman Islands to EHang Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability (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—Cayman Islands Taxation" in the Annual Report, and further consent to the incorporation by reference into the Registration Statement on Form S-8 (File No. 333-237769) filed on 21 April 2020, Form F-3 (File No. 333-278830) filed on 19 April 2024 and Form S-8 (File No. 333-278954) filed on 26 April 2024 of the summary of our opinion under the heading "Item 10. Additional Information—E. Taxation—Cayman Islands Taxation" in the Annual Report.

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