

XPeng Inc.
小鵬汽車有限公司*

(A company controlled through weighted voting rights and
incorporated in the Cayman Islands with limited liability)

Stock code : 9868

GLOBAL OFFERING



Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan

BofA SECURITIES 

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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 **CITIC
SECURITIES**

Joint Bookrunners and Joint Lead Managers

 **農銀國際**
ABC INTERNATIONAL

 **BOC INTERNATIONAL**

 **富途證券**

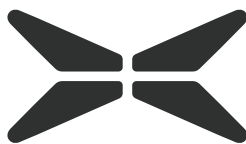
Financial Adviser to the Company

AP AMPERE
PARTNERS

* For identification purposes only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



XPeng Inc. 小鹏汽車有限公司*

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 85,000,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 4,250,000 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 80,750,000 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Public Offer Price	: HK\$180.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 9868

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan

BofA SECURITIES



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



BOC INTERNATIONAL



Financial Adviser to the Company



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents Delivered to the Registrar of Companies" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We expect to determine the pricing of the Offer Shares by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters) on or about Wednesday, June 30, 2021 and, in any event, not later than Tuesday, July 6, 2021. The Public Offer Price will be not more than HK\$180.00 per Offer Share, unless otherwise announced. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse.

We may set the International Offer Price at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process. If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.xiaopeng.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The ADSs of the Company, each of which represents two Class A ordinary shares, are listed for trading on the NYSE under the symbol "XPEV." The last reported sale price of the ADSs on the NYSE on June 22, 2021 was US\$39.99 per ADS. In connection with the Global Offering, we have filed a registration statement on Form F-1 and a preliminary prospectus and plan to file a final prospectus with the SEC to register the sale of Shares under the U.S. Securities Act.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiaries, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR structure, see "Risk Factors – Risks Relating to Our Corporate Structure." Prospective investors should make the decision to invest in the Company only after due and careful consideration.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.xiaopeng.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.xiaopeng.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you have any questions about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates and times:

Friday, June 25, 2021 - 9:00 a.m. to 9:00 p.m.
Saturday, June 26, 2021 - 9:00 a.m. to 6:00 p.m.
Monday, June 28, 2021 - 9:00 a.m. to 9:00 p.m.
Tuesday, June 29, 2021 - 9:00 a.m. to 9:00 p.m.
Wednesday, June 30, 2021 - 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
100	18,181.39	2,000	363,627.72	30,000	5,454,415.80	400,000	72,725,544.00
200	36,362.77	3,000	545,441.58	40,000	7,272,554.40	500,000	90,906,930.00
300	54,544.16	4,000	727,255.44	50,000	9,090,693.00	600,000	109,088,316.00
400	72,725.54	5,000	909,069.30	60,000	10,908,831.60	700,000	127,269,702.00
500	90,906.93	6,000	1,090,883.16	70,000	12,726,970.20	800,000	145,451,088.00
600	109,088.32	7,000	1,272,697.02	80,000	14,545,108.80	900,000	163,632,474.00
700	127,269.70	8,000	1,454,510.88	90,000	16,363,247.40	1,000,000	181,813,860.00
800	145,451.09	9,000	1,636,324.74	100,000	18,181,386.00	2,000,000	363,627,720.00
900	163,632.47	10,000	1,818,138.60	200,000	36,362,772.00	2,125,000 ⁽¹⁾	386,354,452.50
1,000	181,813.86	20,000	3,636,277.20	300,000	54,544,158.00		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences	9:00 a.m. on Friday, June 25, 2021
Latest time for completing electronic applications under the HK eIPO White Form service through one of the below ways: ⁽²⁾	
(1) the IPO App , which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp	11:30 a.m. on Wednesday, June 30, 2021
(2) the designated website www.hkeipo.hk	11:45 a.m. on Wednesday, June 30, 2021
Application lists open ⁽³⁾	12:00 noon on Wednesday, June 30, 2021
Latest time for (a) completing payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC ⁽⁴⁾	
Application lists close ⁽³⁾	12:00 noon on Wednesday, June 30, 2021
Expected Price Determination Date ⁽⁵⁾	Wednesday, June 30, 2021
(1) Announcement of the final Public Offer Price and the International Offer Price on the websites of the Company and the Hong Kong Stock Exchanges at www.xiaopeng.com and www.hkexnews.hk ⁽⁶⁾ on or around	Wednesday, June 30, 2021
(2) Announcement of the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on the websites of the Company and the Hong Kong Stock Exchanges at www.xiaopeng.com and www.hkexnews.hk on or before	Tuesday, July 6, 2021
(3) Results of allocations in the Hong Kong Public Offering (with successful applicants’ identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in “How to Apply for Hong Kong Offer Shares – D. Publication of Results” from	Tuesday, July 6, 2021
Results of allocations in the Hong Kong Public Offering will be available at the “IPO Results” function in the IPO App or at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function from	Tuesday, July 6, 2021
Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before ⁽⁷⁾	Tuesday, July 6, 2021

EXPECTED TIMETABLE⁽¹⁾

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering to be dispatched on or before⁽⁸⁾ Tuesday, July 6, 2021

Dealings in the Class A ordinary shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Wednesday, July 7, 2021

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 30, 2021, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares – C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying Through CCASS EIPO Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Wednesday, June 30, 2021 and, in any event, no later than Tuesday, July 6, 2021. If, for any reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company by Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (7) No temporary documents of title will be issued in respect of the Offer Shares. Share certificates will only become valid at 8:00 a.m. on Wednesday, July 7, 2021, provided that (1) the Global Offering has become unconditional in all respects and (2) neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Class A ordinary shares on the basis of publicly available allocation details or prior to the receipt of share certificates or the share certificates becoming valid do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the Public Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

The above expected timetable is a summary only. You should see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

China is the largest automotive market in the world, in which over 18.4 million, out of 19.7 million of the passenger vehicles sold in 2020 are powered by internal combustion engines, or ICE vehicles, according to IHS Markit. We believe that the evolvement of core technologies of traditional ICE vehicles has been limited over the last decades. As a result, the evolving customer demand may have not been sufficiently satisfied. In contrast, autonomous driving, vehicle connectivity and electrification are expected to revolutionize the future of mobility, which represents a smart, energy-efficient and environmental-friendly mobility experience.

Since the establishment of our company, we have taken an innovative technology path to our envisioned future of mobility. We intend to empower consumers with our differentiated Smart EVs that can offer disruptive mobility experiences. We believe this can be achieved by fast iteration of software and seamless integration with hardware, which enable us to lead the innovation of Smart EV technologies and provide differentiated Smart EV products to consumers.

Within only six years since our inception in 2015, we have become one of the leading Smart EV companies in China, with leading software, data and hardware technology at our core and bringing innovation in autonomous driving, smart connectivity and core vehicle systems. In contrast to incumbent automotive original equipment manufacturers, or OEMs, and some pure-play EV startups, who generally rely on software solutions from third-party suppliers, our speed of innovation and unique capability to tailor our vehicle software to evolving needs of Chinese consumers and China-specific road conditions are our core competitive advantages. As of the Latest Practicable Date, we are the only automotive company based in China that develops full stack autonomous driving software encompassing localization and high definition map fusion, perception algorithm and sensor fusion, behavior planning, motion planning and control in house and has deployed such software on mass-produced vehicles according to IHS Markit. According to the same source, our latest proprietary autonomous driving system, XPILOT 3.0, represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles. Among China-based automakers, we have delivered the most passenger vehicles with a closed-loop data capability, allowing the accumulation of valuable field data and corner cases to train our deep-learning algorithms and autonomous driving software, according to IHS Markit. As we continue to advance our proprietary autonomous driving technology, we plan to deploy automotive-grade LIDAR technology to further enhance the visual-based perception capability of our third car model, the P5, unveiled in April 2021 which, according to IHS Markit, is expected to become the world’s first mass-produced Smart EV equipped with LIDAR upon delivery.

SUMMARY

In addition to our leadership in Smart EV technologies, we are also leading the business model transformation of the automotive market. Enabled by our Smart EV technologies, we are the first and only China-based automotive company to monetize an in-house developed full stack autonomous driving solution, according to IHS Markit. We offer our proprietary advanced autonomous driving system XPILOT 3.0 software as a paid service to our customers, and as of March 31, 2021, over 20% of the car owners of the P7 had purchased and activated such function. Moreover, we work with our ecosystem partners mainly including content providers to expand the content offerings in our Xmart OS system and we have started to monetize certain options and features on a subscription or paid basis.




Our Smart EVs appeal to the large growing base of technology-savvy middle-class consumers in China. We primarily target the mid- to high-end segment in China's passenger vehicle market, with prices ranging from RMB150,000 to RMB300,000. According to IHS Markit, we were one of the top five best-selling brands in the mid- to high-end EV segment in China based on sales volume in 2020. Consumers choose our products primarily because of attractive design, interactive smart mobility experience, long driving range and advanced technology.

We are building a rapidly expanding, diversified portfolio of attractive Smart EV models to capture the growing demand for Smart EVs and appeal to the differentiated needs of a broad customer base.

- We started delivery of the G3 in December 2018, and had delivered 30,102 units of the G3 to customers as of March 31, 2021. According to IHS Markit, the G3 was the second best-selling battery electric SUV in the mid- to high-end segment in China during the period of 2019-2020.
- We started delivery of the P7 in May 2020, and had delivered 23,036 units of the P7 to customers as of March 31, 2021. According to IHS Markit, the P7 has become one of the top five best-selling mid- to high-end battery electric sedans in China in the second half of 2020.
- In March 2021, we started delivery of the P7 Wing, a limited edition designed to accentuate the sporty and dynamic styling of the sports sedan with scissor-style front doors that are traditionally only available in luxury sports vehicles.
- In March 2021, we introduced new versions of the G3 and the P7 that are equipped with lithium iron phosphate battery to provide our customers with a wider variety of options.
- In April 2021, we have unveiled the P5, our third Smart EV, which is expected to be the world's first mass-produced Smart EV equipped with LIDAR upon delivery, according to IHS Markit, and plan to commence mass delivery in the fourth quarter of 2021.
- We have a strong pipeline of new Smart EV models. We plan to start the delivery of the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021. We plan to launch our fourth Smart EV, an SUV, in 2022, featuring advanced autonomous driving system and enhanced core vehicle systems.

SUMMARY

The table below sets forth certain features of the G3 and the P7 as of March 31, 2021.

			
Model	G3 (SUV)	P7 (Sports Sedan)	P7 Wing (Sports Sedan)
Wheelbase (mm)	2,625	2,998	2,998
NEDC range (km)	460 / 520	480 / 562 / 586 / 670 / 706	562 / 670
Battery capacity (kWh)	55.9 / 57.5 / 66.5	60.2 / 70.8 / 80.9	80.9
0-100 km/h acceleration (s)	≥8.6	4.4 / ≥6.7 / 6.8 / 6.9	4.4
Post-subsidy price (RMB)	149,800 – 199,800	229,900 – 349,900 ⁽¹⁾	366,900 – 409,900 ⁽²⁾

Notes:

(1) The price range is exclusive of the software of XPILOT 3.0.

(2) The price range is inclusive of the software of XPILOT 3.0.

Our autonomous driving system and in-car intelligent operating system allow customers to enjoy a differentiated smart mobility experience, and our Smart EVs can be upgraded through OTA firmware updates to introduce enhancements and new functionalities. Continuous innovation in software is one of the key factors that differentiate our Smart EVs and has become a critical value proposition appealing to customers. We have started to monetize the software and content offerings on our Smart EVs.

- XPILOT, our proprietary autonomous driving system, provides assisted driving and parking functions tailored for driving behavior and road conditions in China. XPILOT 2.5 offers adaptive cruise control, adaptive turning control, lane centering control, automated lane changing and automated parking. We rolled out navigation guided pilot (NGP) for highway driving, a function of XPILOT 3.0, in January 2021, which marked the start of monetization of XPILOT 3.0 with options for customers to purchase lifetime or annual services. We also rolled out the Valet Parking Assist, an advanced automated parking function of our proprietary XPILOT 3.0 in June 2021.

According to IHS Markit, XPILOT 3.0 represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles. It had cumulatively assisted our customers in approximately 2.3 million kilometers of highway driving as of March 31, 2021. In March 2021, we conducted an autonomous driving expedition with a fleet of P7s from Guangzhou to Beijing, covering a total distance over 3,000 kilometers across six provinces in China to showcase the capability of NGP for highway driving.

Further updates to XPILOT 3.0 will be released later in 2021 to further enhance capabilities available for customers. According to IHS Markit, our third model, the P5, which was unveiled in April 2021, is expected to be the world's first mass-produced Smart EV equipped with LIDAR upon delivery. Leveraging our visual-based perception capability, complemented by LIDAR, we plan to roll out XPILOT 3.5 which will support NGP for major urban roads. Leveraging field data and corner cases accumulated from our fast-growing number of Smart EVs

SUMMARY

on the road and our closed-loop data capability, we can continuously train our algorithms and implement frequent upgrades, and provide our customers with an advanced and evolving autonomous driving system.

- Xmart OS, our in-car intelligent operating system, supports a smart cockpit that delivers a seamless, easy-to-use, and voice-controlled smart mobility experience. It enables a broad range of smart connectivity functions, such as enhanced capability of AI voice assistant, smart navigation and an app store. The AI voice assistant is able to engage in continuous driver-vehicle dialogs and execute requests covering a broad range of scenarios. In 2018, the utilization rate of our AI voice assistant was approximately 97%. Such utilization rate remained over 99% in 2019, 2020 and the first quarter of 2021. The in-car app store allows our customers to conveniently access third-party services and infotainment, and allows us to develop our smart connectivity ecosystem and create value for all participants.
- Our technological capabilities in software and hardware integration and E/E architecture enable us to effectively deliver OTA firmware updates. Through such updates, we are able to frequently upgrade our Smart EVs throughout the product lifecycle, which enables our customers to enjoy more functions and a better user experience. As of March 31, 2021, we had completed 22 OTA firmware updates with 128 new features added. In January 2021, we released the first OTA update of XPILOT 3.0, which included NGP for highway driving, and in June 2021, we rolled out the Valet Parking Assist, an advanced automated parking function.

We design, develop and engineer our core vehicle systems in-house, including the development of key technologies relating to powertrain and E/E architecture to deliver superior and reliable vehicle performance. For example, the P7 has achieved an industry-leading driving range as a result of our comprehensive engineering efforts. We collaborated with a top-tier supplier to develop the P7's battery cells, which offer high energy density and low height. Furthermore, we integrated a braking system that offers advanced energy recovery capability, which coupled with the P7's low air drag and three-in-one electric drive system enable high energy efficiency of the P7. Our collaboration with a German engineering and design firm to develop the P7's chassis allowed us to offer a superior driving experience in terms of performance, drivability and handling. As a result of our efforts in modular design across key aspects of Smart EVs, we have strategically established two Smart EV platforms. These platforms are scalable for both SUVs and sedans with different wheelbases within a wide range, which allows us to develop new models in a fast and cost-efficient manner. We have commenced development of a new Smart EV platform.

We seek to continuously expand our customer reach by extending our online and physical sales and service network. We have an omni-channel sales model, which combines a data-driven online marketing strategy with a physical sales and service network, and we strive to ensure consistent brand image, customer experience and price across all sales channels. As of March 31, 2021, our physical sales and service network consisted of a total of 178 stores and 61 service centers, covering 70 cities in China. A substantial majority of our stores are strategically located in shopping malls, as we believe such locations enable us to raise our brand awareness and attract customer traffic in a cost-efficient manner. In addition, we actively engage in online marketing through a variety of channels to further enhance our brand recognition and acquire customers.

SUMMARY

We aim to offer our customers a convenient charging and driving experience by providing them with access to a vast, rapidly-growing charging network. Our customers can choose to charge their Smart EVs using home chargers, at XPeng-branded super charging stations or at third-party charging piles, many of which are connected to our charging network. As of March 31, 2021, there were 172 XPeng-branded super charging stations, covering 60 cities in China. Each XPeng-branded super charging station has about six to seven super chargers, which has a peak power output of 120kW. We will continue to expand the XPeng-branded super charging network coverage to provide greater accessibility and enhanced charging experience to our customers. In September 2020, we launched a free charging program to provide qualified car owners with free charging services at XPeng-branded super charging stations and certain third-party charging stations, and, as of March 31, 2021, such program had covered 140 cities in China.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We take a lean production approach, with the aim of continuous optimization in operating efficiency and product quality. We started production of the P7 at our plant in Zhaoqing, Guangdong province, in May 2020. We produce our G3 through a contract manufacturing collaboration with Haima, at its plant in Zhengzhou, Henan province. Such arrangement has allowed us to retain effective control of key manufacturing and procurement processes and product quality with minimal required capital outlay at the initial stage of our development. The Zhaoqing plant and the Haima plant have annual production capacities of up to 100,000 units and 150,000 units, respectively. To further expand our production capacity, we are planning to construct new Smart EV manufacturing bases in Guangzhou and Wuhan, with an expected annual production capacity of up to 100,000 units each.

Our total revenues grew rapidly from RMB9.7 million in 2018 to RMB2,321.2 million in 2019, and further to RMB5,844.3 million in 2020. For the three months ended March 31, 2021, our total revenues were RMB2,950.9 million (US\$450.4 million), representing a significant increase compared to RMB412.1 million for the three months ended March 31, 2020. Our Smart EV deliveries increased from 29 units in 2018 to 12,728 units in 2019, and further to 27,041 units in 2020. For the three months ended March 31, 2021, our Smart EV deliveries were 13,340 units, representing a significant increase compared to 2,271 units for the three months ended March 31, 2020. Along with strong revenue growth, our gross profit margin increased from (24.3%) in 2018 to (24.0%) in 2019, further to 4.6% in 2020, and further to 11.2% for the three months ended March 31, 2021.

As of March 31, 2021, we had 6,132 employees in China and the United States. As of the same date, 39.8% of our employees focused on research and development, of which 62.1%, 16.3% and 21.5% were dedicated to automotive design and engineering, autonomous driving and intelligent operating system, respectively.

According to IHS Markit, in the NEV industry, there were 54 automotive OEM brands that sold 1,000 or more units of NEVs in China in 2020, and in aggregate they accounted for 99.1% of the market share in the China NEV market. The top 5 OEM brands by NEV sales volume accounted for 46.4% in China in 2020. According to IHS Markit, XPeng had a market share of 2.0% in the China NEV market and 4.7% in the mid- to high-end segment of the China NEV market in 2020 and was not among the top 5 OEM brands in either segments.

SUMMARY

According to IHS Markit, there were 45 auto OEM brands that had sold 1,000 units or more EVs in China in 2020, and in aggregate they accounted for 98.7% of the market share in the China EV market. The top 5 OEM brands by EV sales volume accounted for 51.4% in China in 2020. According to IHS Markit, XPeng had a market share of 2.8% and ranked 12th in the China EV market and market share of 6.6% and ranked 4th in the mid- to high-end segment of the China EV market in 2020.

OUR STRENGTHS

We believe the following strengths position us well to capitalize on the opportunities of a rapidly changing passenger vehicle market and the growing consumer demand for Smart EVs in China:

- **We are one of the leading Smart EV companies with proven record and technology leadership**

Our successful track record in Smart EV has been demonstrated by our market position as one of the top five best-selling brands in the mid- to high-end EV segment in China in terms of sales volume in 2020, according to IHS Markit. Our technology leadership is well recognized with our relentless innovation and investment in cutting edge technologies including autonomous driving, intelligent operating system and core vehicle systems.

- **We offer differentiated mobility experiences**

Our Smart EVs offer impressive performance, attractive design, and a fun driving experience. Our proprietary autonomous driving system offers our customers more freedom while driving, and delivers a comfortable and safe mobility experience. According to IHS Markit, our proprietary autonomous driving system XPILOT 3.0 represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles.

- **Deep software, data and hardware technologies to enable fast speed of innovation**

We design and develop our own software, data and core hardware technologies, which we regard as our core competency. Our in-house developed full-stack autonomous driving software, our insights gained from the field data and corner cases collected, our introduction of latest hardware to our vehicles and our frequent OTA updates enable us to achieve greater speed of innovation and offer better customer experience.

- **Pioneer in software and content monetization and Smart EV business model innovation**

We provide our customers with a differentiated Smart EV experience with proprietary software applications and diverse content offerings. We lead the Smart EV business model innovation as the first and only China-based automotive company to monetize an in-house developed full stack autonomous driving solution. Our software and content offerings include proprietary advanced autonomous driving system XPILOT 3.0, as well as the Xmart OS system which functions as a platform to deliver content services.

SUMMARY

- **Scalable and flexible Smart EV platforms for efficient development of future models**

We strategically establish multiple Smart EV platforms that can develop new models in a flexible, fast and cost-efficient manner. By adopting this platform production approach, we can utilize common components across different models on the same platform to achieve economies of scale, reduced cost and increased efficiency. We have also commenced the development of a new Smart EV platform to cater to our expanding product portfolio in the future.

- **The winning team for Smart EV**

Our management team has deep expertise in the technology and automotive industries. We put strong emphasis on research and development with the aspiration to bring differentiated experience and superior product quality to our customers.

OUR STRATEGIES

We pursue the following strategies to accomplish our mission:

- **Accelerate investment in and advancement of our technologies**

Technology is our key differentiation and our core focus. We will relentlessly focus on technology innovations to continue upgrading our proprietary autonomous driving, intelligent operating system as well as core vehicle systems. With our continued investment in research and development, we aim to stay at the forefront of Smart EV technology development and product innovations.

- **Expand monetization of our software and content offerings**

We expect to expand monetization of software and content offerings by introducing more advanced technologies and premium features, increasing attach rate and enhancing our value propositions to customers. We aim to further ramp up the adoption and attach rate of our XPILOT software as we continue to improve our autonomous driving software and hardware technologies. Additionally, we plan to make more value-added services and content available to our customers, thereby further expanding monetization from content offerings.

- **Continue to rapidly expand our product portfolio based on our platform approach**

We intend to continue our fast pace of product offering expansion by leveraging our highly flexible Smart EV platforms, which currently include the David platform and the Edward platform. Our platform approach will enable us to optimize efficiency in product development, supply chain and manufacturing. We plan to continuously launch new Smart EV models and upgrades to broaden our addressable market and serve the demands of a wide range of customers.

SUMMARY

- **Invest in building our leading Smart EV brand**

We intend to continue solidifying our brand image that exemplifies smartness, quality and performance. We also strive to continue upgrading our brand positioning through launching various innovative and premium products, such as the P7 Wing edition with its luxury sports vehicle design. We seek to promote our brand awareness through various marketing initiatives, including online marketing, advertising, promotions and public events.

- **Increase the scale of our sales, service and super charging networks**

We intend to continue to broaden our sales and service network to better engage and serve our customers, by expanding the presence of physical stores in cities which we believe have strong demand for Smart EVs and strengthening our online presence through strategic collaborations with major online platforms in China. Moreover, we plan to substantially expand the network of our XPeng-branded super charging stations to cover a broader range of locations.

- **Build and expand our international market presence**

We plan to continue to expand into other international markets, starting with certain European markets. We aim to build and enhance our overseas sales and services capability, and to adapt the user interfaces of our software systems to optimize our products and services for consumers in overseas markets.

SUMMARY

SUMMARY OF THE KEY FINANCIAL DATA

Selected Consolidated Statements of Comprehensive Loss

The following table sets forth a summary of our consolidated results of operations in the periods indicated:

	Year ended December 31,						Three months ended March 31,				
	2018		2019		2020		2020		2021		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%
	(unaudited)										
	(in thousands, except percentages)										
Revenues											
Vehicle sales ..	4,153	42.8	2,171,231	93.5	5,546,754	94.9	372,151	90.3	2,810,347	428,943	95.2
Services and others	5,553	57.2	149,988	6.5	297,567	5.1	39,918	9.7	140,579	21,457	4.8
Total revenues ..	9,706	100.0	2,321,219	100.0	5,844,321	100.0	412,069	100.0	2,950,926	450,400	100.0
Cost of sales											
Vehicle sales ..	(8,220)	(84.7)	(2,733,531)	(117.8)	(5,350,479)	(91.6)	(391,736)	(95.1)	(2,525,808)	(385,514)	(85.6)
Services and others	(3,847)	(39.6)	(145,829)	(6.3)	(227,853)	(3.9)	(40,206)	(9.8)	(95,277)	(14,542)	(3.2)
Total cost of sales	(12,067)	(124.3)	(2,879,360)	(124.0)	(5,578,332)	(95.4)	(431,942)	(104.8)	(2,621,085)	(400,056)	(88.8)
Gross (loss) profit	(2,361)	(24.3)	(558,141)	(24.0)	265,989	4.6	(19,873)	(4.8)	329,841	50,344	11.2
Operating expenses											
Research and development expenses ...	(1,051,219)	(10,830.6)	(2,070,158)	(89.2)	(1,725,906)	(29.5)	(310,782)	(75.4)	(535,114)	(81,674)	(18.1)
Selling, general and administrative expenses ...	(642,541)	(6,620.0)	(1,164,569)	(50.2)	(2,920,649)	(50.0)	(321,825)	(78.1)	(720,821)	(110,019)	(24.4)
Total operating expenses	(1,693,760)	(17,450.6)	(3,234,727)	(139.4)	(4,646,555)	(79.5)	(632,607)	(153.5)	(1,255,935)	(191,693)	(42.6)
Other income	1,487	15.3	12,294	0.5	86,830	1.5	3,197	0.8	22,161	3,382	0.8
Loss from operations	(1,694,634)	(17,459.7)	(3,780,574)	(162.9)	(4,293,736)	(73.5)	(649,283)	(157.6)	(903,933)	(137,967)	(30.6)
Interest income	65,376	673.6	88,843	3.8	133,036	2.3	10,658	2.6	135,102	20,621	4.6
Interest expenses ...	(5,822)	(60.0)	(32,017)	(1.4)	(22,451)	(0.4)	(8,278)	(2.0)	(1,142)	(174)	(0.0)
Fair value gain (loss) on derivative assets/ liabilities ...	254,361	2,620.7	27,679	1.2	1,362,025	23.3	(4,968)	(1.2)	(1,808)	(276)	(0.1)
Other non- operating (loss) income, net	(18,104)	(186.5)	4,397	0.2	90,364	1.5	2,110	0.5	(14,780)	(2,256)	(0.5)
Loss before income tax expenses	(1,398,823)	(14,411.9)	(3,691,672)	(159.0)	(2,730,762)	(46.7)	(649,761)	(157.7)	(786,561)	(120,052)	(26.7)
Income tax expenses	—	—	(1)	(0.0)	(1,223)	(0.0)	—	—	—	—	—
Net loss	(1,398,823)	(14,411.9)	(3,691,673)	(159.0)	(2,731,985)	(46.7)	(649,761)	(157.7)	(786,561)	(120,052)	(26.7)

SUMMARY

We incurred net losses of RMB1,398.8 million, RMB3,691.7 million, RMB2,732.0 million, RMB649.8 million and RMB786.6 million (US\$120.1 million) in 2018, 2019, 2020 and the three months ended March 31, 2020 and 2021, respectively.

The increase in net loss from the three months ended March 31, 2020 to the three months ended March 31, 2021 was primarily attributable to (i) the increase in our research and development expenses from RMB310.8 million in the three months ended March 31, 2020 to RMB535.1 million (US\$81.7 million) in the three months ended March 31, 2021, and (ii) the increase in our selling, general and administrative expenses from RMB321.8 million in the three months ended March 31, 2020 to RMB720.8 million (US\$110.0 million) in the three months ended March 31, 2021, partially offset by the increase in gross profit. We recorded gross profit of RMB329.8 million (US\$50.3 million) in the three months ended March 31, 2021, as compared to gross loss of RMB19.9 million in the three months ended March 31, 2020.

The decrease in net loss from 2019 to 2020 was primarily because (i) our gross profit turned positive to RMB266.0 million in 2020 from a gross loss of RMB558.1 million in 2019, and (ii) we recorded fair value gain on derivative liabilities of RMB1,362.0 million in 2020, as compared to RMB27.7 million in 2019, which was partially offset by the increase in our selling, general and administrative expenses from RMB1,164.6 million in 2019 to RMB2,920.6 million in 2020.

The increase in net loss from 2018 to 2019 was primarily attributable to (i) the increase in our gross loss from RMB2.4 million in 2018 to RMB558.1 million in 2019, (ii) the increase in our research and development expenses from RMB1,051.2 million in 2018 to RMB2,070.2 million in 2019, and (iii) the increase in our selling, general and administrative expenses from RMB642.5 million in 2018 to RMB1,164.6 million in 2019.

For more information, see “Financial Information” and the Accountant’s Report in Appendix I to this prospectus.

SUMMARY

Summary of the Consolidated Statements of Financial Position

The following table sets forth a summary of our financial position as of the dates indicated:

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>				
Total current assets	6,109,043	4,960,650	39,679,278	40,647,614	6,204,039
Total non-current assets	1,564,145	4,290,715	5,027,501	6,523,115	995,622
Total assets	7,673,188	9,251,365	44,706,779	47,170,729	7,199,661
Total current liabilities	972,986	3,297,691	7,837,263	9,065,875	1,383,724
Total non-current liabilities	1,905,954	3,090,626	2,439,707	4,270,238	651,766
Total liabilities	2,878,940	6,388,317	10,276,970	13,336,113	2,035,490
Net current assets	5,136,057	1,662,959	31,842,015	31,581,739	4,820,315
Net assets	4,794,248	2,863,048	34,429,809	33,834,616	5,164,171
Total mezzanine equity	6,979,473	9,693,478	—	—	—
Total shareholders' (deficit) equity	(2,185,225)	(6,830,430)	34,429,809	33,834,616	5,164,171

As of March 31, 2021, our net current assets was RMB31,581.7 million (US\$4,820.3 million), remaining relatively stable compared to our net current assets of RMB31,842.0 million as of December 31, 2020. Our net current assets significantly increased from RMB1,663.0 million as of December 31, 2019 to RMB31,842.0 million as of December 31, 2020, primarily due to the increase in our cash and cash equivalents as a result of our initial public offering and follow-on offering in the United States in 2020. Our net current assets significantly decreased from RMB5,136.1 million as of December 31, 2018 to RMB1,663.0 million as of December 31, 2019, primarily due to the decrease of short-term investments and the increase in accruals and other liabilities in connection with the construction of Zhaoqing plant and our research and development projects. For a detailed discussion of material changes in the various working capital items, see “Financial Information—Working Capital.”

As of March 31, 2021, our total shareholders' equity was RMB33,834.6 million (US\$5,164.2 million), remaining relatively stable compared to our total shareholders' equity of RMB34,429.8 million as of December 31, 2020. We recorded total shareholders' equity of RMB34,429.8 million as of December 31, 2020 while we recorded total shareholders' deficit of RMB6,830.4 million as of December 31, 2019, primarily due to the increase in the paid-in capital as a result of our initial public offering and follow-on offering in the United States in 2020. Our total shareholders' deficit increased from RMB2,185.2 million as of December 31, 2018 to RMB6,830.4 million as of December 31, 2019, primarily due to the net loss of RMB3,691.7 million incurred in 2019.

SUMMARY

Selected Consolidated Cash Flows Data

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

	Year ended December 31,			Three months ended March 31,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
				(unaudited)		
				(in thousands)		
Summary Consolidated Cash Flow Data:						
Operating cash flows before changes in operating assets and liabilities, net of business acquisition	(1,552,727)	(3,355,879)	(2,597,017)	(558,116)	(426,551)	(65,104)
Changes in operating assets and liabilities, net of business acquisition	(2,989)	(189,976)	2,494,676	(128,018)	(92,044)	(14,049)
Interest paid	(16,999)	(16,909)	(37,411)	(7,912)	(51,112)	(7,801)
Income tax paid	—	(1)	(14)	—	(1,209)	(185)
Net cash used in operating activities	(1,572,715)	(3,562,765)	(139,766)	(694,046)	(570,916)	(87,138)
Net cash (used in) provided by investing activities	(3,630,324)	740,296	(4,406,161)	(94,759)	341,680	52,151
Net cash provided by financing activities	6,734,200	3,593,562	34,329,793	791,626	1,445,678	220,653
Cash, cash equivalents and restricted cash at beginning of the year/period	115,146	1,631,525	2,407,743	2,407,743	31,541,533	4,814,178
Cash, cash equivalents and restricted cash at end of the year/period	1,631,525	2,407,743	31,541,533	2,401,688	32,840,336	5,012,415

During the Track Record Period, our net cash used in operating activities significantly increased from RMB1,572.7 million in 2018 to RMB3,562.8 million in 2019, and significantly decreased from RMB3,562.8 million in 2019 to RMB139.8 million in 2020. We expect to optimize our net operating cash outflows position by taking advantage of (i) diversification of our product mix, which leads to higher average sales price in the long run and economies of scale; (ii) decline of battery price, which, according to the IHS Markit Report, is expected to continue at a compound annual rate of nearly 10% for the next three years; (iii) our delivery volume ramp-up which leads to higher manufacturing efficiency and economies of scale, as well as stronger bargaining power with suppliers; and (iv) higher revenue contribution from software following the start of its monetization as well as the increase of cumulative Smart EV deliveries. In addition, during the Track Record Period, we have incurred significant operating expenses, including research and development expenses and selling, general and administrative expenses, to develop new vehicle models and promote our brand recognition. In the near- to medium-term, we will continue to invest in our technology development and branding and marketing activities to attract customers and our cash flow may fluctuate. As our scale expands and our brand becomes more well-known, the operating expenses are not expected to increase proportionately to our revenue and the operating expenses as a percentage of revenue is expected to decrease, which will further improve our net operating cash outflows position.

SUMMARY

Reconciliation between U.S. GAAP and IFRS

The consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The main reconciling items include classification and measurement of preferred shares, issuance costs, onerous contract, operating leases and share-based compensation. The following table sets forth the effects of material differences prepared under U.S. GAAP and IFRS:

	Year ended December 31,			For the three months ended March 31,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(Unaudited) (in thousands)					
Reconciliation of net loss attributable to the Company in the consolidated statements of comprehensive loss						
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under U.S. GAAP	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)	(120,053)
IFRS adjustments:						
Classification and measurement of preferred shares	(839,653)	70,069	(25,697,267)	(1,365,825)	—	—
Issuance costs	—	—	(26,664)	—	—	—
Onerous contract	—	(67,866)	10,802	2,827	3,823	584
Operating leases	(5,740)	(8,687)	(6,166)	(1,946)	(2,024)	(309)
Share-based compensation	—	—	(5,851)	—	(27,925)	(4,262)
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under IFRS	(2,244,216)	(3,698,157)	(28,457,131)	(2,014,705)	(812,687)	(124,040)

As of December 31,			As of March 31,	
2018	2019	2020	2021	
RMB	RMB	RMB	RMB	US\$
<i>(in thousands)</i>				

Reconciliation of total shareholders' (deficit) equity in the consolidated balance sheets

Total shareholders' (deficit) equity as reported under U.S. GAAP	(2,185,225)	(6,830,430)	34,429,809	33,834,616	5,164,171
IFRS adjustments:					
Classification and measurement of preferred shares	(158,262)	693,111	—	—	—
Onerous contract	—	(67,866)	(57,064)	(53,241)	(8,126)
Operating leases	(5,740)	(14,427)	(20,593)	(22,617)	(3,452)
Total shareholders' (deficit) equity as reported under IFRS	<u>(2,349,227)</u>	<u>(6,219,612)</u>	<u>34,352,152</u>	<u>33,758,758</u>	<u>5,152,593</u>

Please see “Financial Information—Reconciliation between U.S. GAAP and IFRS” for a discussion of the major difference between U.S. GAAP and IFRS in the main reconciling items.

SUMMARY

INNOVATIVE COMPANY

We are an innovative company with innovation as our core focus. Our key distinctive technologies, namely (a) autonomous driving technology, (b) OTA firmware update capability and (c) long driving range achieved by core vehicle system, allow us to bring differentiated smart mobility experience to customers and accelerate adoption of Smart EVs, and therefore have directly contributed to our success. Empowered by continuous technological innovation, we have achieved high business growth in the rapidly growing Smart EVs market.

We are a technology-driven company that has invested heavily in developing our own proprietary technologies to fuel rapid growth and bring differentiated products and services to drive the Smart EV transformation. In 2018, 2019, 2020 and the three months ended March 31, 2021, our research and development expenses amounted to RMB1,051.2 million, RMB2,070.2 million, RMB1,725.9 million and RMB535.1 million (US\$81.7 million), respectively. Such expenses accounted for 89.2%, 29.5% and 18.1% of our total revenues for 2019, 2020 and the three months ended March 31, 2021, respectively. The key role of research and development played in our business activity is also evidenced by the high ratio of research and development employees to all of our employees. As of March 31, 2021, 2,442, or 39.8%, of our employees are in our research and development function, of which 62.1%, 16.3% and 21.5% were dedicated to automotive design and engineering, autonomous driving and intelligent operating system, respectively.

For details of our distinctive technologies and innovations, please see the subsections headed “Products” and “Our Technologies” under the section headed “Business.”

ARTICLES OF ASSOCIATION

As we are seeking a listing with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Listing Rules (Weighted Voting Rights), including Rule 8A.44 of the Listing Rules, which requires our WVR structure to give force to the requirements of certain rules under Chapter 8A of the Listing Rules by incorporating them into our Articles; and (b) the requirements for articles of association or equivalent document set out in Appendix 3 and Part B of Appendix 13 of the Listing Rules. Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at an extraordinary general meeting to be convened within 6 months of Listing.

Furthermore, we will, at the same extraordinary general meeting, seek shareholders’ approval to amend our Articles to (a) lower the quorum of general meeting (which is not a class meeting) from not less than one-third (1/3) of aggregate voting power of all the ordinary shares present in person or by proxy as currently provided for in Article 58(a) of the Company’s Articles to 10% of voting rights (on a one vote per share basis) in the share capital of the Company, (b) where any general meeting is postponed by the directors pursuant to Article 57 of the Company’s Articles, require such meeting to be postponed to a specific date, time and place, (c) allow any shareholder or shareholders whose shareholding interests in the Company represent, in the aggregate, not less than 10% of the total issued and outstanding Class A ordinary shares of the Company to be entitled to nominate one individual to stand for election or re-election as a Director at any general meeting of the Company (the “**Shareholders’ Director Nomination Right**”), (d) where at any time, the share capital of the Company is divided into different classes of shares, for the

SUMMARY

purpose of variation of rights attached to any class of shares, removing the Directors' discretion to treat all the classes or any two or more classes as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration (the **"Class Right Variation Discretion Removal Requirement"**), (e) requiring any power to be exercised by the Director under Article 3(b) of the Company's Articles (including but not limited to the power to authorize division of Shares into any number of classes and issue shares with preferred or other rights and series of preferred shares) to be subject to the Articles, compliance with the Listing Rules and the Code on Takeovers and Mergers, and the conditions that (x) no new class of shares with voting rights superior to those of Class A ordinary shares will be created and (y) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares (the **"Overriding Compliance Requirement"**), and (f) clarify that (i) the Company, its shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise, and (ii) if a court of the U.S. assumes jurisdiction to hear any proceedings, actions, claims or complaints that rely on the provisions of the U.S. Securities Act or the U.S. Exchange Act, then the federal courts of the U.S. shall have exclusive jurisdiction to hear, settle and/or determine such proceeding, action, claim or complaint to the exclusion of the state courts (the **"Forum Selection Clarification"**).

Also, to reflect the full conversion of Class C ordinary shares by Taobao China upon Listing in the Memorandum and Articles and comply with the Listing Rules, the Company will at the same extraordinary general meeting propose to its Shareholders to remove (i) the shareholding structure of Class C ordinary shares and provisions related to Class C ordinary shares and (ii) rights of director appointment and removal of Taobao China.

In addition, save for certain specified exceptions, we undertake to fully comply with the applicable requirements under Chapter 8A of, and Appendices 3 and 13 to, the Listing Rules, the GM Postponement Requirement, the Alibaba Director Appointment and Removal Right Requirement, the Shareholders' Director Nomination Right, the Class Right Variation Discretion Removal Requirement, and the Overriding Compliance Requirement before our Articles are formally amended such that immediately upon the Listing, we will be subject to, and will fully comply with, such requirements as if they have already been incorporated into our existing Articles in full upon the Listing. We also undertake to comply with the Class C Removal Requirement by not issuing any new Class C ordinary share and the Forum Selection Clarification with respect to the Company and its Directors agreeing to submit to the jurisdiction of the court of Hong Kong to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise upon the Listing and before our Articles are formally amended. For further details, please see "Waivers from strict compliance with the Listing Rules — Waiver with respect to Articles of Association of the Company."

ANNUAL GENERAL MEETING

As further discussed in the section headed "Waivers from strict compliance with the Listing Rules — Waiver with respect to Articles of Association of the Company", the Company will seek shareholders' approval to incorporate the Unmet Listing Rules Articles Requirements, including the requirement under paragraph 3(3) of Part B of Appendix 13 to the Listing Rules which provides that the articles of association

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shall require an annual general meeting to be held in each year, into its Memorandum and Articles in an extraordinary general meeting to be convened within 6 months of Listing. For the avoidance of doubt, notwithstanding the foregoing, the Company will not hold an annual general meeting in 2021 on the following grounds:

- The Company is expected to be listed on the Stock Exchange on July 7, 2021 and the audited financial information for the year ended December 31, 2020 and other financial disclosure have been disclosed in this prospectus. Therefore, shareholders who participate in the Global Offering would be able to review and consider the financials of the Company for the financial year ended December 31, 2020 before making their investment decision and would not be unfairly prejudiced by the Company not convening an AGM in 2021 for the purpose of laying annual financial statements of the Company for the financial year ended December 31, 2020 before its members to allow its members to discuss the financial results.
- The Company has not historically held an AGM since its listing on the NYSE, and the procedures for convening an AGM for a company with a dual primary listing in the U.S. and Hong Kong are burdensome and require global coordination among various parties, including, but not limited to, the Company's ADS depositary bank, Hong Kong share registrar, and Hong Kong Securities Clearing Company Limited on the logistical matters involved in convening an AGM for U.S. and Hong Kong shareholders.

In particular, since the Company's ADSs are listed on the NYSE, the Company notes that the preparation time required for convening any general meeting may take approximately eight weeks in addition to the notice period prescribed in its Articles in practice. The Company (with the help of its depositary bank) will be required to (i) prepare meeting materials for the ADS holders based on meeting materials prepared for the Company's shareholders; (ii) distribute voting materials to relevant ADS holders; and (iii) collect voting instructions from the ADS holders before the proposed date of general meeting, among others, in addition to the usual procedures for giving notice to, and collecting voting results from, shareholders owning Class A ordinary shares for convening a general meeting with matters submitted to shareholders for approval. This is a time-consuming process especially for a company who has not done so in the past.

Since the Company has not historically held an AGM after its listing on the NYSE, let alone convening an AGM for both U.S. and Hong Kong shareholders, the process for preparing the Company's first AGM, taking into account potential logistical and technical challenges, could take about three months after the Listing.

- In connection with the Company's application for a waiver with respect to its Articles, the Company undertakes to convene an extraordinary general meeting within 6 months of Listing to seek shareholders' approval to incorporate the Unmet Articles Requirements into its Memorandum and Articles, among others. Holding an AGM in 2021 in addition to such extraordinary general meeting will diverge the Company's resources and management attention from the preparation of such extraordinary general meeting.

SUMMARY

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our Controlling Shareholders

Immediately following the Global Offering, Mr. Xiaopeng He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He.

Without taking into account (i) any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option; and (ii) any Class A ordinary shares to be issued under the 2019 Equity Incentive Plan, including pursuant to the exercise or vesting of awards that have been granted, and considering that (i) all Class B ordinary shares beneficially owned by Mr. Tao He will be converted into Class A ordinary shares on a one-on-one basis upon Listing and (ii) all Class C ordinary shares held by Taobao China will be converted into Class A ordinary shares on a one-on-one basis upon Listing, Mr. He will be interested in approximately 20.6% of our issued and outstanding share capital upon the completion of the Global Offering, and will be entitled to exercise approximately 64.8% of the voting rights in the Company (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote) upon the completion of the Global Offering. Therefore, Mr. He, Simplicity Holding and Respect Holding together will constitute Controlling Shareholders of our Company after the Listing. See “Share Capital – Weighted Voting Rights Structure” for details of the weighted voting rights attached to the Class B ordinary shares. For further details, see “Substantial Shareholders” and “Relationship with the Controlling Shareholders.”

Weighted Voting Rights Structure and WVR Beneficiaries

The Company has adopted a weighted voting rights structure. Under this structure, the Company’s share capital comprises Class A ordinary shares, Class B ordinary shares and Class C ordinary shares as of the date of this prospectus. As described in the paragraph headed “Share Capital – Authorized and Issued Share Capital”, all Class C ordinary shares held by Taobao China will be converted to Class A ordinary shares and all Class B ordinary shares beneficially owned by Mr. Tao He will be converted to Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering and the Company’s authorized share capital will comprise Class A ordinary shares and Class B ordinary shares only following the Listing. Each Class A ordinary share entitles its holder to exercise one vote, while each Class B ordinary share entitles its holders to exercise ten votes, respectively, on all matters that require a shareholder’s vote, subject to Rule 8A.24 of the Listing Rules that requires a limited number of Reserved Matters to be voted on a one vote per share basis. For further details, see “Share Capital – Weighted Voting Rights Structure.”

Immediately upon the completion of the Global Offering, the WVR Beneficiaries will be Mr. Xiaopeng He (“**Mr. He**”) (our co-founder, chairman of the Board, executive Director, and chief executive officer) and Mr. Heng Xia (our co-founder, executive Director and president).

Without taking into account (i) any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option; and (ii) any Class A ordinary share to be issued under the 2019 Equity Incentive Plan, including pursuant to the exercise or vesting of awards that have been granted, and

SUMMARY

considering that all Class C ordinary shares held by Taobao China and all Class B ordinary shares held by Mr. Tao He will be converted into Class A ordinary shares upon Listing:

- Mr. He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He, representing approximately 20.6% of our total issued and outstanding share capital and approximately 20.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 64.8% with respect to matters other than the Reserved Matters.
- Mr. Heng Xia will be interested in and will control, through Efficiency Investment Limited, 12,580 Class A ordinary shares and 61,137,879 Class B ordinary shares, representing approximately 3.6% of our total issued share capital, approximately 3.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 11.4% with respect to matters other than the Reserved Matters.

Assuming (i) the Over-allotment Option is fully exercised and we may be required to issue up to 12,750,000 new Class A ordinary shares and (ii) no other Shares are issued under the 2019 Equity Incentive Plan, and considering that all Class C ordinary shares held by Taobao China and all Class B ordinary shares held by Mr. Tao He will be converted into Class A ordinary shares upon Listing:

- Mr. He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He, representing approximately 20.5% of our total issued and outstanding share capital and approximately 20.5% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 64.7% with respect to matters other than the Reserved Matters.
- Mr. Heng Xia will be interested in and will control, through Efficiency Investment Limited, 12,580 Class A ordinary shares and 61,137,879 Class B ordinary shares, representing approximately 3.6% of our total issued share capital, approximately 3.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 11.3% with respect to matters other than the Reserved Matters.

Therefore, immediately after the completion of the Global Offering, Mr. He, Simplicity Holding and Respect Holding together will constitute Controlling Shareholders of our Company after the Listing. For further details, see “Share Capital – Weighted Voting Rights Structure” and “Relationship with the Controlling Shareholders.”

The Company’s WVR structure enables the WVR Beneficiaries to exercise voting control over the Company notwithstanding that the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

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The Company was established by our three founders, including Mr. He and Mr. Heng Xia, who shared the belief and aspiration to transform the traditional automotive industry in which customers have been long underserved and drive the development of Smart EV with technology and data. In order to achieve this common goal, Mr. He and Mr. Heng Xia have leveraged their professional background, experience in automobile and technology industries and technical skills to design the distinctive strategy of promoting self-development of key software and hardware for the purpose of enabling the software innovation and iteration for the Company and execute such plan along with other employees.

Mr. He obtained a bachelor's degree in computer science and later co-founded UCWeb Inc., which was acquired by Alibaba Group in 2014. Since then, Mr. He assumed various positions at Alibaba Group, including the president of Alibaba mobile business group, chairman of Alibaba Games and president of Tudou.com. Therefore, Mr. He has over 10 years of experience in the technology industry. Mr. Heng Xia obtained a bachelor's degree in automotive engineering and master's degree in mechanical engineering from Tsinghua University. Prior to co-founding the Company, Mr. Heng Xia worked at the research and development center of GAC from 2008 to 2014. Therefore, Mr. Heng Xia has more than 9 years of experience in the automobile industry. Accordingly, Mr. He and Mr. Heng Xia have acquired deep experience in technology or automobile industry. For a discussion of the biographies of Mr. He and Mr. Heng Xia, please see the section headed "Directors and Senior Management" of this prospectus.

Since the establishment of the Group in 2015, Mr. He and Mr. Heng Xia have led the Group to grow organically through dedication to research and development to attain technological advancement and construction of self-built manufacture base for the purpose of controlling and managing the production process. As a result, various business milestones have been achieved.

Each of Mr. He and Mr. Heng Xia has assumed, and is expected to maintain, an active executive role within the Company. Mr. He has served as the chairman and executive officer of the Group since August 2017. Mr. Heng Xia has served as a director and president of the Group since January 2015. Each of Mr. He and Mr. Heng Xia will also remain a Director of the Company upon the Listing as required by Rule 8A.11 of the Listing Rules.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to section headed "Risk Factors – Risks Relating to Our Corporate Structure."

Our VIE Structure

Due to the PRC legal restrictions on foreign ownership in companies that provide value-added telecommunication services in China, we have entered into a series of contractual arrangements with our consolidated VIEs and their respective shareholders as described in more details in "History and Corporate Structure – Our Contractual Arrangements," which collectively enables us to exercise effective control over

SUMMARY

our consolidated VIEs, receive substantially all the economic benefits of our consolidated VIEs and have an exclusive option to purchase all or part of the equity interests in, or all or part of the assets of, or inject registered capital into our consolidated VIEs when and to the extent permitted by PRC law.

Agreement between Mr. He, Taobao China and the Company

In connection with the Listing, on June 22, 2021, Taobao China, Xiaopeng He (“**Mr. He**”) and the Company entered into an agreement (the “**Relevant Agreement**”) under which Taobao China undertook to the Company and Mr. He that, with respect to the shares of the Company held by Taobao China as of the date of the Relevant Agreement (including, for the avoidance doubt, the Class A ordinary shares to be converted from all of the Class C ordinary shares held by Taobao China as part of the Listing) (the “**Agreement Date Taobao Shareholding**”):

1. on the day before the date on which the PHIP (as defined in the Listing Rules) of the Company is published, to deliver the written conversion notice to the Company and complete the conversion of all the Alibaba Class C Shares into Class A ordinary shares on a one-on-one basis upon or before, and subject to, the Listing becoming effective;
2. after the Listing becoming effective, not to exercise the Director Appointment and Removal Right; and
3. after the Listing becoming effective, to attend any class meeting and any general meeting (whether in person or by proxy) that may be convened by the Company to exercise, all of the voting rights attached to the Agreement Date Taobao Shareholding to vote in favor of any resolution at any such meeting of the Company to approve the amendments of the Memorandum and Articles of Association to incorporate the Unmet Articles Requirements (as defined in the section headed “Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company”).

Under the Relevant Agreement, Mr. He undertook to Taobao China that with respect to the shares of the Company held by Mr. He as of the date of the Relevant Agreement:

1. if, at any time after the Listing becoming effective, there is any change in the Listing Rules or any change in the interpretation of the Listing Rules by the Hong Kong Stock Exchange and the SFC such that Taobao China is permitted under the Listing Rules to be a beneficiary of the Class C WVR Right, Mr. He will, upon Taobao China’s request and in his capacity as a direct and/or indirect shareholder and/or beneficial owner of shares of the Company, use all his reasonable endeavors to assist, and procure the Company to use all its reasonable endeavors to assist, Taobao China with a view to reinstating the Class C WVR Right enjoyed by Taobao China before the Listing, provided that this undertaking shall lapse upon such completion of such reinstatement;
2. if, at any time after the Listing becoming effective, Taobao China nominates, in accordance with the Memorandum and Articles of Association, by itself or together with any other shareholder of the Company, a candidate to stand for election or re-election as a Director at any general

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meeting of the Company (the “**Alibaba Nominee**”), Mr. He shall, in his capacity as a shareholder of the Company, to the extent permitted under the applicable laws and regulations and the Memorandum and Articles of Association, vote (and/or procure votes which are controlled by him be cast) in favor of any resolution which is proposed at such general meeting of the Company to appoint such Alibaba Nominee as a Director, provided that:

- a. the Alibaba Nominee fulfills the qualification and experience requirements of a director of the Company under the applicable laws and regulations and the Memorandum and Articles of Association;
 - b. no other Director immediately after the conclusion of such general meeting is an Alibaba Nominee or a Director nominated or appointed by Taobao China prior to the Listing; and
 - c. this undertaking shall cease to have any effect when the aggregate shareholding of all affiliates of Alibaba Group Holding Limited in the Company is less than 5% of the total issued shares of the Company; and
3. after the date on which the Listing becoming effective, he will use all his reasonable endeavors to procure that the Memorandum and Articles of Association will be amended based on the timetable set out in “Waivers from Strict Compliance with the Listing Rules – Waiver with respect to Articles of Association of the Company” to reflect that any shareholder or shareholders whose shareholding interests in the Company represent, in the aggregate, at least 10% of the total issued and outstanding Class A ordinary shares of the Company shall be entitled to nominate one individual to stand for election or re-election as a Director at any general meeting of the Company.

For the avoidance of doubt, so long as Mr. He is a director of the Company, any act or decision of Mr. He in his capacity as a director is subject to his overriding need to comply with his fiduciary duties under the applicable laws and regulations and the Memorandum and Articles of Association. In addition, fulfillment of the undertakings by Mr. He to Taobao China as set out above shall be subject to compliance with the prevailing Listing Rules. The Company will provide updates on the compliance of the Relevant Agreement by the parties thereto in its annual reports after the Listing.

Only the Agreement Date Taobao Shareholding is subject to the undertakings given by Taobao China to the Company and Mr. He as set out above. Any shares of the Company acquired by Taobao China after the date of the Relevant Agreement (for the avoidance of doubt, the Class A ordinary shares to be converted from all of the Class C ordinary shares held by Taobao China as at the date of the Relevant Agreement shall not be considered as shares of the Company acquired by Taobao China after the date of the Relevant Agreement) shall not be subject to those undertakings.

Only the shares of the Company held by Mr. He as of the date of the Relevant Agreement are subject to the undertakings given by Mr. He to Taobao China as set out above. Any shares of the Company acquired by Mr. He after the date of the Relevant Agreement shall not be subject to those undertakings.

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RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- We have a limited operating history and face significant challenges as a new entrant into our industry.
- As we continue to grow, we may not be able to effectively manage our growth, which could negatively impact our brand and financial performance.
- Our research and development efforts may not yield expected results.
- If our Smart EVs, including software systems, fail to offer a good mobility experience and meet customer expectations, our business, results of operations and reputation would be materially and adversely affected.
- We may be subject to risks associated with autonomous driving technologies.
- We have only recently started to generate revenues and have incurred significant losses and negative cash flows from operating activities, all of which may continue in the future.
- Our business plans require a significant amount of capital. If we fail to obtain required external financing to sustain our business, we may be forced to curtail or discontinue our operations. In addition, our future capital needs may require us to sell additional equity or debt securities that may dilute our shareholders or introduce covenants that may restrict our operations or our ability to pay dividends.

COMPETITION

China passenger vehicle market is a large and highly competitive market with various types of vehicles adopting different propulsion systems offered by a wide range of domestic and foreign OEMs. NEVs have been gaining market share as opposed to ICE vehicles in recent years, mainly due to the increasingly stringent government regulation and industry standards on environment and emission, continued decrease of cost of EV, and changing consumer demands and behaviors, among other factors. Within the NEV market, the market can be segregated into EV, PHEV (including EREV) and FCEV, based on different propulsion systems and technologies, and accounted for 78.9%, 21.1% and less than 0.1% of total China NEV sales volume in 2020 respectively. According to IHS Markit, the number of automotive OEM brands that sold 1,000 or more units of NEVs in China in 2020 amounted to 54 which in aggregate accounted for 99.1% of the market share in the China NEV market in 2020.

We are subject to intense competition from both incumbent OEMs and other emerging pure-play EV companies. We are also subject to competition from other forms of NEVs as well as ICE vehicles to some

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extent. We have strategically focused on offering Smart EVs for the mid- to high-end segment of China's passenger vehicle market. We directly compete with other pure-play EV companies, especially those targeting the mid- to high-end segment. Our Smart EVs also compete with Smart EV offerings from traditional OEMs in the mid- to high-end segment. To a lesser extent, our Smart EVs could indirectly compete with vehicle offerings with alternative propulsion systems such as PHEVs and ICEs. Furthermore, as a number of incumbent OEMs started to shift their focus towards the EV market, the competition may further intensify given their strong brand recognition, substantial financial resources, sophisticated engineering capabilities and established sales channels.

Different from incumbent OEMs and some other EV start-ups, we have taken an innovative technology approach to designing and developing our own software, data and core hardware technologies in-house rather than relying on third-party suppliers. Such approach enables our speed of innovation, seamless integration of fast software iteration with hardware, as well as unique capability to tailor our vehicle software to the evolving needs of Chinese consumers and China-specific road conditions. With leading software, data and hardware technologies at our core, we continue to bring innovations in autonomous driving, smart connectivity and core vehicle systems, and deliver differentiated products and consumer experience, which position us favorably in the competitive environment.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$15,039.08 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering and based upon an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming no exercise of the Over-allotment Option.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 45% (approximately HK\$6,767.6 million) of the net proceeds is expected to be used for the expansion of our product portfolio and development of more advanced technology.
- Approximately 35% (approximately HK\$5,263.7 million) of the net proceeds is expected to be used to accelerate our business expansion, by enhancing our brand recognition, acquiring customers through omni-channel marketing strategies, and expanding our sales and service touch points both domestically and internationally.
- Approximately 10% (approximately HK\$1,503.9 million) of the net proceeds is expected to be used for the enhancement of production capability, including expansion of capacity, upgrade of manufacturing facilities and development of manufacturing technologies.
- Approximately 10% (approximately HK\$1,503.9 million) of the net proceeds is expected to be used for general corporate purposes, including working capital needs.

See "Future Plans and Use of Proceeds" for further details.

SUMMARY

THE LISTING

Our Company currently has a primary listing of our ADSs on the NYSE, which we intend to maintain alongside the proposed dual primary listing of our Class A ordinary shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, our Class A ordinary shares in issue, and those that may be issued pursuant to (i) the Global Offering (including the Over-allotment Option) and (ii) the exercise of any awards that have been or may be granted under the 2019 Equity Incentive Plan as well as any Class A ordinary shares that will be converted from Class C ordinary shares upon Listing and/or may be converted from Class B ordinary shares.

CERTAIN WAIVERS AND EXEMPTIONS

Shorter Trading Record Period

The Company is applying for Listing using the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules. As the Company started the mass production and delivery of the G3 in November and December 2018, respectively, it is not able to satisfy the requirement of a trading record of at least three financial years under Rule 8.05(3) of the Listing Rules. Nevertheless, the Company has complied with Rule 8.05A(1) and (2) of the Listing Rules. Therefore, the Company has applied to the Stock Exchange, and has been granted, a waiver from strict compliance with the requirement of a trading record of at least three financial years under Rule 8.05(3) of the Listing Rules. Please see “Waivers from Strict Compliance with the Listing Rules – Shorter Trading Record Period” for further details.

Articles of Association of the Company

Appendix 3 and Part B of Appendix 13 of the Listing Rules state that the articles of association or equivalent document must conform with the provisions set out in such appendices. In addition, Rule 8A.44 of the Listing Rules requires issuers with WVR structure such as the Company to give force to certain requirements in Chapter 8A of the Listing Rules by incorporating them into their articles of association or equivalent document. As the Company is listed on the NYSE, the Company has adopted memorandum and articles of association which are in line with the form of memorandum and articles of association commonly adopted by similarly-placed foreign issuers listed on the NYSE. Therefore, the Memorandum and Articles of Association of the Company does not comply with some of the aforementioned requirements under the Listing Rules. In this connection, the Company has applied to the Stock Exchange, and has been granted, a waiver from strict compliance with the relevant requirements under the Listing Rules. Please see “Waivers from Strict Compliance with the Listing Rules – Waiver with respect to Articles of Association of the Company” for further details.

OFFERING STATISTICS

	Based on the indicative offer price per Offer Share of HK\$180.00 for both the Hong Kong Public Offering and the International Offering
Our market capitalization ⁽¹⁾	HK\$305,834.6 million
Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share ⁽²⁾	RMB27.29 or HK\$33.11

SUMMARY

Notes:

- (1) *The calculation of market capitalization is based on 1,699,081,126 ordinary shares that will be in issue immediately following the Global Offering. The calculation of market capitalization takes into account 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our 2019 Equity Incentive Plan and does not take into account of any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option.*
- (2) *The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is based on a total of 1,672,124,748 Shares that will be in issue assuming that the Global Offering have been completed on March 31, 2021, but does not take into account of 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our 2019 Equity Incentive Plan, any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option, any Shares which may be issued upon the vesting of awards after March 31, 2021 pursuant to the 2019 Equity Incentive Plan or any Shares which may be issued or repurchased by the Company.*

DIVIDEND POLICY

Any determination to pay dividends will be made at the discretion of our Board of Directors. 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 we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including 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.

Since inception, we have not declared or paid any dividends on our Shares. We do not have any present plan to declare or pay any dividends on our Shares or ADSs in the near future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Financial Information – Dividend Policy.”

LISTING EXPENSES

Our listing expenses in connection with the Global Offering are estimated to be approximately RMB215.1 million, assuming the Over-allotment Option is not exercised and based upon an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, representing 1.7% of the gross proceeds from the Global Offering. These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering.

As of March 31, 2021, RMB0.9 million had been charged to the consolidated statements of comprehensive loss. We estimate that additional listing expenses of approximately RMB2.9 million will be charged to the consolidated statements of comprehensive loss and RMB211.3 million will be charged to our equity upon completion of the Global Offering.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading positions or prospects since March 31, 2021, being the end date of the periods reported on in the Accountant’s Report in Appendix I to this prospectus.

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IMPACT OF THE COVID-19 PANDEMIC

General

During January 2020, COVID-19, a strain of coronavirus, has surfaced. Since then, the COVID-19 pandemic has caused a significant impact on the Chinese and global economy. In early 2020, the PRC government placed significant restrictions on travel within China and closed certain businesses, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China. While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak in China. A substantial number of our offices and stores, as well as our manufacturing facilities, were closed for certain periods in the first quarter of 2020. As a result, our Smart EV delivery decreased from 3,218 units in the fourth quarter of 2019 to 2,271 units in the first quarter of 2020. In particular, we delivered 1,055, 161 and 1,055 units of Smart EVs in January, February and March 2020, respectively, which were lower than our expectation before the COVID-19 outbreak. The sharp decrease in the number of deliveries in February 2020 was mainly due to the significant impact from COVID-19 outbreak in China and seasonal impact from the Chinese New Year holiday. Furthermore, the COVID-19 pandemic has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 outbreak in the beginning of 2020. By mid-April 2020, these suppliers had resumed their normal delivery of components. At this point, we cannot accurately predict what effects the COVID-19 pandemic would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities. See also “Risk Factors – Risks Relating to Our Business and Industry – The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations” and “Financial Information – Impact of COVID-19 on our operations.”

Liquidity Position

Under the worst case scenario that our operations and businesses are adversely affected by the COVID-19 pandemic, where:

- the volume of vehicle delivery becomes stagnant and going forward, we can only sell 2,271 units of Smart EVs each quarter, same as the volume delivered in the first quarter of 2020, when the COVID-19 pandemic had a material and adverse impact to our business operations;
- there is no growth in average selling price of our Smart EVs and it stays at the same level as the average selling price in the first quarter of 2020;
- we cease to earn any revenue from services and others;
- general and administrative expenses stay at the same amount as incurred in 2020, except for share-based compensation;
- selling and marketing expenses largely stay at the same amount as incurred in 2020, except for expenses related to franchisee stores which are related to sales volume;

SUMMARY

- research and development expenses stay at the same amount as incurred in 2020, except for share-based compensation;
- construction of our Guangzhou plant will be put on hold, given the limited vehicle delivery volume; and
- capital expenditures stay at same amount as incurred in 2020;

and taking into account:

- the financial resources available to us, including cash and cash equivalents, short-term deposits, short-term investments and the estimated net proceeds for working capital and other general corporate purposes from the Global Offering; and
- the prudent estimates for the settlement of trade receivables and account payables;

we can remain financially viable for more than five years. The above analysis under the worst case scenario is for illustrative purpose only and based on our Directors' direct assessment, the likelihood of such situation arising would be remote.

RECENT DEVELOPMENTS

We delivered 5,147 and 5,686 Smart EVs in April and May 2021, respectively. In May 2021, we had provided guidance that we expect to deliver between 15,500 and 16,000 vehicles for the second quarter of 2021. We currently expect that the deliveries in the second quarter of 2021 will achieve at least this guided range or above.

We have made and will continue to make significant upfront investments in research and development, sales and service network, as well as marketing and advertising, to establish technology leadership, promote products and enhance our brand awareness. As we expect our business scale continues to expand, the absolute amount of our net loss may widen substantially in 2021 compared to that in 2020 due to the aforementioned investment. Our future profitability is uncertain and subject to various factors. See "Risk factors – Risks Relating to Our Business and Industry – We have only recently started to generate revenues and have incurred significant losses and negative cash flows from operating activities, all of which may continue in the future."

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms.”

“2019 Equity Incentive Plan”	the equity incentive plan approved and adopted in June 2020, as amended and restated in August 2020, the principal terms of which are set out in the section headed “Statutory and General Information” in Appendix IV to this prospectus
“2020 Foreign Investment Negative List”	the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 version), most recently jointly promulgated by the MOFCOM and the NDRC on June 23, 2020 and which became effective on July 23, 2020, as amended, supplemented or otherwise modified from time to time
“Accountant’s Report”	accountant’s report for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021 in Appendix I to this prospectus
“ADSs”	American depositary shares, each of which represents two Class A ordinary shares
“Articles” or “Articles of Association”	the articles of association of our Company adopted on August 20, 2020, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Companies Act – 2. Articles of Association” in Appendix III
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CATL”	Contemporary Amperex Technology Co. Limited, a China-based lithium-ion battery manufacturer and a battery cell supplier of us, listed on the Shenzhen Stock Exchange (stock code: 300750)
“Cayman Companies Act”	the Companies Act, Cap.22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chengxing Zhidong”	Guangzhou Chengxing Zhidong Automotive Technology Co., Ltd (廣州橙行智動汽車科技有限公司), a company established in China with limited liability on January 9, 2015 and a wholly-owned subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purposes of this prospectus only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region
“Class A ordinary shares”	Class A ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring a holder of a Class A ordinary share one vote per share on all matters subject to the vote at general meetings of the Company

DEFINITIONS

“Class B ordinary shares”	Class B ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class B ordinary share is entitled to ten votes per share on all matters subject to the vote at general meetings of the Company, subject to the requirements under Rule 8A.24 of the Listing Rules that the Reserved Matters shall be voted on a one vote per share basis. Please see “Share Capital – Weighted Voting Rights Structure” for the specified exception for the compliance of Rule 8A.24 of the Listing Rules for further details
“Class C ordinary shares”	Class C ordinary shares of the share capital of the Company with a par value of US\$0.00001 each, conferring weighted voting rights in the Company such that a holder of a Class C ordinary share is entitled to five votes per share on all matters subject to the vote at general meetings of the Company
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company,” “we,” “our” or “us”	XPeng Inc. and its subsidiaries and consolidated variable interest entities, or VIEs, and their respective subsidiaries, as the context requires
“Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into among Xiaopeng Technology, Xiaopeng Chuxing, our consolidated VIEs and their shareholders, details of which are set out in the section headed “History and Corporate Structure – Our Contractual Arrangements”

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xiaopeng He and the entities through which Mr. He has an interest in the Company, details of which are set out in the section headed “Relationship with the Controlling Shareholders”
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“DTC”	The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
“Foreign Investment Law”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), promulgated by the National People’s Congress in March 2019, which became effective on January 1, 2020
“GDP”	Gross Domestic Product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries and consolidated variable interest entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Haima”	Haima Automobile Co., Ltd. (海馬汽車有限公司), a China-based automotive manufacturer, for the manufacturing of our Smart EVs and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000572)
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website at www.hkeipo.hk

DEFINITIONS

“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollar(s)” or “HK dollar(s)” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Hong Kong Offer Shares”	the Class A ordinary shares offered pursuant to the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Public Offer Price on the terms and conditions described in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated June 24, 2021, relating to the Hong Kong Public Offering and entered into by our Company, the Joint Sponsors, the Joint Representatives and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus
“ICP license”	the value-added telecommunications business operating license (《增值電信業務經營許可證》) for internet information service

DEFINITIONS

“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the IASB
“IHS Markit”	IHS Global Inc., an independent business information services company listed on the NYSE (Symbol: INFO)
“IHS Markit Report”	the market research report in respect of the Global Offering issued by IHS Markit
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company
“International Offer Price”	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
“International Offer Shares”	the Class A ordinary shares offered under the International Offering together with, where relevant, any additional Class A ordinary shares which may be issued by the Company pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Offering”	the offer of the International Offer Shares at the International Offer Price pursuant to a prospectus and the registration statement on Form F-1 that was filed with the SEC on June 23, 2021 and is expected to become effective on or about the Price Determination Date
“International Underwriters”	the group of underwriters, led by the Joint Representatives, that expects to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the International Underwriters and us on or about the Price Determination Date
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“JOBS Act”	the Jumpstart Our Business Startups Act of 2012, as amended

DEFINITIONS

“Joint Bookrunners”	the joint bookrunners as named in “Directors and Parties Involved in the Global Offering”
“Joint Global Coordinators”	the joint global coordinators as named in “Directors and Parties Involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers as named in “Directors and Parties Involved in the Global Offering”
“Joint Representatives”	the joint representatives as named in “Directors and Parties Involved in the Global Offering”
“Joint Sponsors”	the joint sponsors of the listing of the Offer Shares on the Main Board of the Hong Kong Stock Exchange as named in “Directors and Parties Involved in the Global Offering”
“Latest Practicable Date”	June 18, 2021, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Class A ordinary shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about July 7, 2021, on which the Class A ordinary shares are listed and on which dealings in the Class A ordinary shares are first permitted to take place on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	our memorandum of association (as amended from time to time), the current form of which was adopted on August 20, 2020, a summary of which is set out in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“NASDAQ”	Nasdaq Global Select Market

DEFINITIONS

“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NYSE”	New York Stock Exchange
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, being Class A ordinary shares of the Company, together with, where relevant, any additional Class A ordinary shares which we may issue pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option we expect to grant to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 12,750,000 additional Offer Shares at the International Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Legal Adviser(s)”	Fangda Partners, our legal adviser as to PRC laws and regulations
“Price Determination Date”	the date, expected to be on or about June 30, 2021, on which the International Offer Price and Public Offer Price will be determined, or such later time as the Joint Representatives (for themselves and on behalf of the Underwriters) and we may agree, but in any event, not later than July 6, 2021
“Principal Share Registrar”	Harneys Fiduciary (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Public Offer Price”	the final offer price per Hong Kong Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
“Regulation S”	Regulation S under the U.S. Securities Act
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of our Company pursuant to Rule 8A.24 of the Listing Rules, being: (i) any amendment to the Memorandum and Articles of Association, (ii) the variation of

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	the rights attached to any class of Shares, (iii) the appointment or removal of an independent non-executive Director, (iv) the appointment or removal of the Company's auditors, and (v) the voluntary winding-up of our Company
“RMB” or “Renminbi”	Renminbi, the legal currency of China
“RSU(s)”	restricted share units
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014
“SAMR”	the PRC State Administration for Market Regulation (中華人民共和國國家市場監督管理總局), formerly known as the PRC State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) (“SAIC”)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SAT Circular 82”	the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of de facto management bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), issued on April 22, 2009 and further amended on December 29, 2017
“SEC”	the Securities and Exchange Commission of the United States
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“Share(s)”	the Class A ordinary shares, Class B ordinary shares and Class C ordinary shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of Shares and, where the context requires, ADSs
“Stabilization Manager”	J.P. Morgan Securities (Asia Pacific) Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Quack Holding Limited and J.P. Morgan Securities plc
“subsidiary(ies)”	has the meaning set out in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Taobao China”	Taobao China Holding Limited, a company incorporated under the laws of Hong Kong on March 26, 2003 and an indirect wholly-owned subsidiary of Alibaba Group Holding Limited
“Track Record Period”	the three years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. GAAP”	accounting principles generally accepted in the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollar(s)”, “U.S. dollar(s)”, “US\$”, or “USD”	United States dollars, legal currency of the United States

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“variable interest entities,” “VIE” or “VIEs”	our variable interest entities, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries
“VAT”	value-added tax; all amounts are exclusive of VAT in this prospectus except where indicated otherwise
“WVR Beneficiary(ies)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xiaopeng He and Mr. Heng Xia, being the holders of the Class B ordinary shares upon Listing, entitling each to weighted voting rights, details of which are set out in the section headed “Share Capital”
“WVR structure”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Xiaopeng Chuxing”	Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (廣州小鹏智慧出行科技有限公司), a company established in China with limited liability on June 5, 2018 and a subsidiary of the Company
“Xiaopeng Technology”	Guangzhou Xiaopeng Motors Technology Co., Ltd. (廣州小鹏汽車科技有限公司), a company established in China with limited liability on May 12, 2016 and a subsidiary of the Company
“XPeng Fortune”	XPeng Fortune Holdings Limited, a company incorporated under the laws of British Virgin Islands on May 26, 2020
“Yidian Chuxing”	Guangzhou Yidian Smart Mobility Technology Co., Ltd. (廣州易點智慧出行科技有限公司), a company established in China with limited liability on May 24, 2018 and a consolidated variable interest entity of the Company
“Zhipeng IoV”	Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd (廣州智鵬車聯網科技有限公司), a company established in China with limited liability on May 23, 2018 and a consolidated variable interest entity of the Company
“%”	per cent

In this prospectus, the terms “associate(s),” “close associate(s),” “controlling shareholder(s),” “core connected person(s)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

DEFINITIONS

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of certain terms used in this prospectus in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“AI”	artificial intelligence
“app”	a computer program designed to run on smartphones and other mobile services
“average utilization rate”	of any function of our Smart EVs are to the number of Smart EVs whose drivers had used such function at least once during a period of time divided by the number of Smart EVs that had been driven at least once during such period
“BEV”	battery electric vehicles
“C-NCAP”	China New Car Assessment Program, which is a car safety assessment program run by the China Automotive Technology and Research Center
“ECU”	electronic control units
“E/E architecture”	electrical/electronic architecture
“EREV”	extended-range electric vehicles
“EV” or “electric vehicle”	the BEV used for the carriage of passengers
“FCEV”	fuel cell electric vehicles
“ICE”	internal combustion engine
“LFP battery”	lithium iron phosphate battery
“LFP battery version”	EVs with lithium iron phosphate battery
“LIDAR”	light detection and ranging
“mid- to high-end segment”	are to the segment in China’s passenger vehicle market with prices ranging from RMB150,000 to RMB300,000, not including any government subsidy
“MIIT New Energy Vehicle Catalogs”	the Catalogs of New Energy Vehicle Models Exempted from Vehicle Purchase Tax published by the Ministry of Industry and Information Technology of the PRC, or the MIIT, in the period from August 2014 to April 2020, which include relevant data of new energy vehicles registered with them

GLOSSARY OF TECHNICAL TERMS

“NCM battery”	lithium nickel manganese cobalt oxide battery
“NCM battery version”	EVs with lithium nickel manganese cobalt oxide battery
“NEDC”	New European Driving Cycle, which is designed to assess the emission levels of car engines and fuel economy in passenger vehicles
“NEV”	new energy passenger vehicles, comprising of battery electrics vehicles, plug-in hybrid electric vehicles (including EREV) and fuel cell electric vehicles
“NFC”	near-field communication
“NGP”	navigation guided pilot
“OEM”	automotive original equipment manufacturer
“OTA”	over-the-air
“PHEV”	plug-in hybrid electric vehicles
“post-subsidy price”	the purchase price that is net of the subsidies from China’s central government, as applicable, as of March 31, 2021
“Smart EV”	electric vehicles with a rich array of connectivity, autonomous driving and AI technology features
“SUV”	sport utility vehicle
“VCU”	vehicle control unit

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “potential,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

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An investment in our Class A ordinary shares involves significant risks. You should carefully consider all of the information set out in this prospectus before making an investment in our Class A ordinary shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are an exempted company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

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

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our corporate structure; (iii) risks relating to doing business in China; (iv) risks relating to our Shares, ADSs and the dual listing; and (v) risks relating to the Global Offering. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

Risks Relating to Our Business and Industry

We have a limited operating history and face significant challenges as a new entrant into our industry.

We began our operations in 2015 and have a limited operating history. We have limited history in most aspects of our business operations, including designing, testing, manufacturing, marketing and selling our Smart EVs, as well as offering our services. We started production of our first mass-produced Smart EV, the G3, in November 2018. We have constructed a manufacturing plant in Zhaoqing, Guangdong province, and the plant is the first manufacturing facility owned by us. We started production of our second mass-produced Smart EV, the P7, at the Zhaoqing plant in May 2020.

You should consider our business and prospects in light of the risks and challenges we face as a new entrant into our industry, including, among other things, with respect to our ability to:

- design and produce safe, reliable and quality vehicles on an ongoing basis;
- build a well-recognized and respected brand;
- expand our customer base;
- properly price our products and services;
- advance our technological capabilities in key areas, such as autonomous driving, intelligent operating system, electric powertrain and E/E architecture;

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- successfully market our Smart EVs and our services, including our advanced autonomous driving system and various value-added services, such as insurance agency service, automotive loan referral and charging solutions;
- improve operating efficiency and economies of scale;
- operate our manufacturing plant in a safe and cost-efficient manner;
- attract, retain and motivate our employees;
- anticipate and adapt to changing market conditions, including changes in consumer preferences and competitive landscape; and
- navigate a complex and evolving regulatory environment.

If we fail to address any or all of these risks and challenges, our business may be materially and adversely affected. Our Smart EVs are highly technical products that require ongoing maintenance and support. As a result, consumers will be less likely to purchase our Smart EVs if they are not convinced that our business will succeed or that our operations will continue for many years. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed.

As we continue to grow, we may not be able to effectively manage our growth, which could negatively impact our brand and financial performance.

We have experienced significant growth in the past several years. Our revenues increased significantly from RMB9.7 million in 2018 to RMB2,321.2 million in 2019, and further to RMB5,844.3 million in 2020. For the three months ended March 31, 2021, our total revenues were RMB2,950.9 million (US\$450.4 million). The number of Smart EVs delivered by us increased from 29 units in 2018 to 12,728 units in 2019, and further to 27,041 units in 2020. For the three months ended March 31, 2021, our Smart EV deliveries were 13,340 units. We plan to further grow our business by, among other things, investing in technology, expanding our product portfolio, strengthening our brand recognition, expanding our sales and marketing network and service offerings. Our future operating results will depend to a large extent on our ability to manage our expansion and growth successfully.

Risks that we face in undertaking this expansion include, among others:

- managing a larger organization with a greater number of employees in different divisions;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding design, manufacturing, sales and service facilities, as well as charging network;
- implementing and enhancing administrative infrastructure, systems and processes; and
- executing our strategies and business initiatives successfully.

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

Our research and development efforts may not yield expected results.

Technological innovation is critical to our success, and we strategically develop most of key technologies in-house, such as autonomous driving, intelligent operating system, powertrain and E/E

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architecture. We have been investing heavily on our research and development efforts. In 2018, 2019, 2020 and the three months ended March 31, 2021, our research and development expenses amounted to RMB1,051.2 million, RMB2,070.2 million, RMB1,725.9 million and RMB535.1 million (US\$81.7 million), respectively. Our research and development expenses accounted for 89.2%, 29.5% and 18.1% of our total revenues for 2019, 2020 and the three months ended March 31, 2021, respectively. The EV industry is experiencing rapid technological changes, and we need to invest significant resources in research and development to lead technological advances in order to remain competitive in the market. Therefore, we expect that our research and development expenses will continue to be significant. Furthermore, research and development activities are inherently uncertain, and there can be no assurance that we will continue to achieve technological breakthroughs and successfully commercialize such breakthroughs. As a result, our significant expenditures on research and development may not generate corresponding benefits. If our research and development efforts fail to keep up with the latest technological developments, we would suffer a decline in our competitive position. For example, we believe autonomous driving is a key factor that differentiates our Smart EVs from competing products, and we have dedicated significant research and development efforts in this area. Any delay or setbacks in our efforts to improve autonomous driving capabilities could materially and adversely affect our business, reputation, results of operations and prospects.

Besides our in-house expertise, we also rely on certain technologies of our suppliers to enhance the performance of our Smart EVs. In particular, we do not manufacture battery cells or semiconductors, which makes us dependent upon suppliers for the relevant technologies. As technologies change, we plan to upgrade our existing models and introduce new models in order to provide Smart EVs with the latest technologies, including battery cells and semiconductors, which could involve substantial costs and lower our return on investment for existing models. In addition, we plan to deliver our third Smart EV model, the P5, in the fourth quarter of 2021, and the new model will feature LIDAR, which is also expected to involve substantial costs. There can be no assurance that we will be able to equip our Smart EVs with the latest technologies. Even if we are able to keep pace with changes in technologies and develop new models, our prior models could become obsolete more quickly than expected, potentially reducing our return on investment.

If our Smart EVs, including software systems, fail to offer a good mobility experience and meet customer expectations, our business, results of operations and reputation would be materially and adversely affected.

We tailor our Smart EVs for China's technology-savvy middle class consumers. Our Smart EVs offer smart technology functions, including autonomous driving and smart connectivity, to make the mobility experience more convenient. There can be no assurance that we will be able to continue to enhance such smart technology functions and make them more valuable to our target customers. In the design process, we pay close attention to the preferences of our target customers. For example, our proprietary autonomous driving system is also customized for driving behavior and road conditions in China. However, there can be no assurance that we are able to accurately identify consumer preferences and effectively address such preferences in our Smart EVs' design. Furthermore, the driving experience of a Smart EV is different from that of an ICE vehicle, and our customers may experience difficulties in adapting to the driving experience of a Smart EV. As consumer preferences are continuously evolving, we may fail to introduce desirable product features in a timely manner.

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Our Smart EVs may contain defects in design or manufacturing that cause them not to perform as expected or that require repair, and certain features of our Smart EVs may take longer than expected to become enabled. For example, the operation of our Smart EVs is highly dependent on our proprietary software, such as XPILOT and Xmart OS, which is inherently complex. These software systems may contain latent defects and errors or be subject to external attacks. Although we attempt to remedy any issues we observe in our Smart EVs as effectively and rapidly as possible, such efforts may not be timely or may not be to the satisfaction of our customers. Furthermore, while we have performed extensive internal testing on the Smart EVs we manufacture, we currently have a limited frame of reference by which to evaluate detailed long-term quality, reliability, durability and performance characteristics of our Smart EVs. We cannot assure you that our Smart EVs are free of defects, which may manifest over time. Product defects, delays or other failures of our products to perform as expected could damage our reputation and result in product recalls, product liability claims and/or significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

We may be subject to risks associated with autonomous driving technologies.

Through XPILOT we have greatly enhanced the autonomous driving capabilities of our Smart EVs. Capitalizing on our in-house research and development capabilities, we have continued to upgrade our autonomous driving technologies, and we rolled out XPILOT 3.0 through an OTA firmware update in January 2021. Autonomous driving technologies are subject to risks and from time to time there have been accidents associated with such technologies. Although we attempt to remedy any issues we observe in our Smart EVs as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers. Moreover, autonomous driving technology is still evolving and is yet to achieve wide market acceptance. The safety of autonomous driving technologies depends in part on driver interaction, and drivers may not be accustomed to using such technologies. To the extent accidents associated with our autonomous driving systems occur, we could be subject to liability, government scrutiny and further regulation. Furthermore, accidents or defects caused by third parties' autonomous driving technology may negatively affect public perception, or result in regulatory restrictions, with respect to autonomous driving technology.

Our autonomous driving technologies may be affected by regulatory restrictions. For example, our research and development activities on autonomous driving are subject to regulatory restrictions on surveying and mapping, as well as driverless road testing. See “Regulatory Environment – Regulations Relating to Autonomous Driving Vehicles” for more details. Any tightening of regulatory restrictions could have a material adverse impact on our development of autonomous driving technology.

Our customers may cancel their orders despite their deposit payment and online confirmation.

Orders and reservations for our Smart EVs are subject to cancellation by the customer prior to the delivery of the Smart EV. Our customers may cancel their orders for many reasons beyond our control, and we have experienced cancellation of orders in the past. In addition, customers may cancel their orders even after they have paid deposits. The potentially long wait from the time a reservation is made until the time the Smart EV is delivered could also impact customer decisions on whether to ultimately make a purchase, due to potential changes in preferences, competitive developments, and other factors. If we encounter delays in the deliveries of the G3, the P7, or future Smart EV models, a significant number of orders may be

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canceled. As a result, we cannot assure you that orders will not be canceled and will ultimately result in the final purchase, delivery, and sale of the Smart EVs. Such cancellations could harm our business, brand image, financial condition, results of operations, and prospects.

China's passenger vehicle market is highly competitive, and demand for EVs may be cyclical and volatile.

China's passenger vehicle market is large yet competitive, and we have strategically focused on offering Smart EVs for the mid- to high-end segment. We directly compete with other pure-play EV companies, especially those targeting the mid- to high-end segment. To a lesser extent, our Smart EVs also compete with (i) NEVs, which include EVs, plug-in hybrid electric vehicles, hybrid electric vehicles and fuel cell electric vehicles, and (ii) ICE vehicles in the mid- to high-end segment offered by traditional OEMs. We may also in the future face competition from new entrants that will increase the level of competition. Many of our current and potential competitors, particularly international competitors, have more financial, technical, manufacturing, marketing and other resources than we do, and may be able to devote significant 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 and regulatory push for alternative fuel vehicles, continuing globalization and consolidation in the worldwide automotive industry. Factors affecting competition include, among others, product quality and features, innovation and development time, pricing, reliability, safety, energy efficiency, sales and marketing capabilities, distribution network, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in downward price pressure and adversely affect our business, financial condition, operating results and prospects. There can be no assurance that we will be able to compete successfully. Our competitors may introduce new vehicles or services that surpass the quality or performance of our Smart EVs or services, which would adversely affect our competitive position in the market. They may also offer vehicles or services at more competitive prices, which would have an adverse impact on our sales and profitability. In addition, we may compete with state-owned enterprises or companies that have received investments or other forms of support from state-owned enterprises or other government entities, and such competitors may therefore possess more resources than us.

In addition, volatility in the automobile industry may materially and adversely affect our business, prospects, operating results and financial condition. The sales volume of EVs in the mid- to high-end segment in China may not grow at the rate that we expect, or at all. Demand for EVs depends to a large extent on general, economic, political and social conditions in a given market and the introduction of new vehicles and technologies. As a new entrant to the EV market, we have fewer financial resources than more established OEMs to withstand changes in the market and disruptions in demand. Demand for our Smart EVs may also be affected by factors directly impacting automobile price or the cost of purchasing and operating automobiles, such as sales and financing incentives, prices of raw materials and components, cost of oil and gasoline and governmental regulations, including tariffs, import regulation and sales taxes. Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect our business, prospects, financial condition and operating results. These effects may have a more pronounced impact on our business given our relatively smaller scale and less financial resources as compared to many traditional OEMs.

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We have only recently started to generate revenues and have incurred significant losses and negative cash flows from operating activities, all of which may continue in the future.

We have only recently started to generate revenues and have not been profitable since our inception. The design, manufacture, sale and servicing of Smart EVs is a capital-intensive business. We have been incurring losses from operations and had negative cash flows from operating activities since inception. We incurred net losses of RMB1,398.8 million, RMB3,691.7 million, RMB2,732.0 million and RMB786.6 million (US\$120.1 million) for 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. Net cash used in operating activities was RMB1,572.7 million, RMB3,562.8 million, RMB139.8 million and RMB570.9 million (US\$87.1 million) for 2018, 2019 and 2020 and the three months ended March 31, 2021, respectively. We have made significant upfront investments in research and development, our manufacturing facility in Zhaoqing, our sales and service network, as well as marketing and advertising, to rapidly develop and expand our business. We expect to continue to invest significantly in these areas to further expand our business, and there can be no assurance that we will successfully execute our business strategies. We may not generate sufficient revenues for a number of reasons, including lack of demand for our Smart EVs and services, increasing competition, challenging macro-economic environment due to the COVID-19 pandemic, as well as other risks discussed herein. Our ability to become profitable in the future will not only depend on our efforts to sell our Smart EVs and services but also to control our costs. If we are unable to adequately control the costs associated with our operations, we may continue to experience losses and negative cash flows from operating activities in the future.

We believe that taking into account cash and cash equivalents on hand, our operating cash flows, the available financing facilities, and the estimated net proceeds available to us from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. However, we may need additional capital resources in the future if we experience changes in business condition or other unanticipated developments, or if we wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. In addition, we have not recorded net income or positive cash flows from operating activities. As such, we may continue to rely on equity or debt financing to meet our working capital and capital expenditure requirements. If we were unable to obtain such financing in a timely manner or on terms that are acceptable, or at all, we may fail to implement our business plans or experience disruptions in our operating activities, and our business, financial condition and results of operations would be materially and adversely affected.

Our business plans require a significant amount of capital. If we fail to obtain required external financing to sustain our business, we may be forced to curtail or discontinue our operations. In addition, our future capital needs may require us to sell additional equity or debt securities that may dilute our shareholders or introduce covenants that may restrict our operations or our ability to pay dividends.

Our business and our future plans are capital-intensive. We will need significant capital to, among other things, conduct research and development, ramp up our production capacity and expand our sales and service network. As we ramp up our production capacity and operations, we may also require significant capital to maintain our property, plant and equipment and such costs may be greater than anticipated. We expect that our level of capital expenditures will be significantly affected by user demand for our Smart EVs and services. Given we have a limited operating history, we have limited historical data on the demand for our Smart EVs and services. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We plan to seek equity or debt financing

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to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. If we fail to obtain required additional financing to sustain our business before we are able to produce levels of revenue to meet our financial needs, we would need to delay, scale back or eliminate our business plan and may be forced to curtail or discontinue our operations.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business plan. These factors may make the timing, amount, terms and conditions of such financing unattractive or unavailable to us. In particular, recent disruptions in the financial markets and volatile economic conditions could affect our ability to raise capital. If we are unable to raise sufficient funds, we will have to significantly reduce our spending or delay or cancel our planned activities. In addition, our future capital needs and other business reasons 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 our shareholders. We may also raise equity financing through one or more of our operating subsidiaries in the PRC. As a result, our net loss or net income would be partially attributable to the investors of such operating subsidiaries, which would affect net loss or net income attributable to shareholders of XPeng Inc. The issuance of debt securities and incurrence of additional indebtedness would result in increased debt service obligations. Holders of any debt securities or preferred shares will have rights, preferences and privileges senior to those of holders of our ordinary shares in the event of liquidation. Any financial or other restrictive covenants from any debt securities would restrict our operations or our ability to pay dividends to our shareholders.

The unavailability, reduction or elimination of government and economic incentives or government policies that are favorable for new energy vehicles and domestically produced vehicles could materially and adversely affect our business, financial condition and results of operations.

Our business has benefited from government subsidies, economic incentives and government policies that support the growth of new energy vehicles. For example, each qualified purchaser of our Smart EVs enjoys subsidies from China's central government and certain local governments. Furthermore, in certain cities, quotas that limit the purchase of ICE vehicles do not apply to EVs, thereby incentivizing customers to purchase EVs. In April 2020, the Ministry of Finance of the PRC, together with several other PRC government departments, issued the Announcement on Policies concerning the Exemption of New Energy Vehicles from Vehicle Purchase Tax, and the Circular on Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles, or the 2020 Subsidy Circular, which extended certain subsidies and tax exemptions on EV purchases to the end of 2022. China's central government also provides certain local governments with funds and subsidies to support the roll out of a charging infrastructure. These policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business. For instance, according to the 2020 Subsidy Circular, in principle, the subsidies for new energy vehicle purchases from 2020 to 2022 will generally be lowered by 10%, 20% and 30%, respectively, based on the level of the previous year with limited exceptions in the area of public transport, and the total number of new energy vehicles in China that will be entitled to such subsidies should be no more than two million each year. Furthermore, we have received subsidies from certain local governments in relation to the new Smart EV manufacturing base under construction in Guangzhou and our Zhaoqing plant. Any reduction or elimination of government subsidies and economic incentives because of policy changes, fiscal tightening or other factors may result in the diminished competitiveness of the EV industry generally or our Smart EVs in particular. In addition, as

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we seek to increase our revenues from vehicle sales, we may also experience an increase in accounts receivable relating to government subsidies. Any uncertainty or delay in collection of the government subsidies may also have an adverse impact on our financial condition. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We may also face increased competition from foreign OEMs due to changes in government policies. For example, the tariff on imported passenger vehicles (other than those originating in the United States of America) was reduced to 15% starting from July 1, 2018. On June 23, 2020, the National Development and Reform Commission, or NDRC, and the Ministry of Commerce of the PRC, or the MOFCOM, promulgated the Special Administrative Measures for Market Access of Foreign Investment, or the 2020 Foreign Investment Negative List, effective on July 23, 2020, under which there is no limit on foreign ownership of new energy vehicle manufacturers. As a result, foreign EV competitors could build wholly-owned facilities in China without the need for a domestic joint venture partner. For example, Tesla has constructed the Tesla Giga Shanghai factory in Shanghai without a joint venture partner. These changes could increase our competition and reduce our pricing advantage.

The continuing shortage in the supply of semiconductors may be disruptive to our operations and adversely affect our business, results of operations and financial condition.

Since October 2020, the supply of semiconductors used for automotive production has been subject to a global shortage. Although such global semiconductor shortage has not yet had a material negative impact on our operations, there is no assurance that we will be able to continue to obtain sufficient number of semiconductor-contained components at reasonable cost for our operations. In addition, we source a majority of semiconductor-contained components used by us from single-source suppliers, such as the components utilizing the semiconductors provided by NVIDIA. Should any single-source suppliers of semiconductor-contained components become unable to meet our demand or become unwilling to do so on terms that are acceptable to us, it may take us significant time, and we may incur significant expenses to find alternative suppliers. If we were required to utilize another supplier for semiconductor-contained components, we would need to qualify and customize the components from alternative suppliers, which could be time consuming and require substantial expenses. If we are unable to find an alternative supplier willing and able to meet our needs on terms acceptable to us on a timely basis or at all, our production and deliveries would be materially disrupted, which may materially and adversely affect our business, results of operations and financial condition.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.

Since January 2020, a strain of coronavirus, also known as COVID-19, has caused significant impact on the global economy. In an effort to halt the outbreak in China, the PRC government placed significant restrictions on travel within China and closed certain businesses, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China. Moreover, the COVID-19 outbreak has become a global pandemic and affected regions outside of China, such as Europe and North America. We are headquartered in Guangzhou, and we market and sell our Smart EVs mainly to consumers in China. Our production facilities and most of our key suppliers are located in China, and some of our suppliers of automobile parts are located in North America. In addition, a significant portion of our

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research and development staff is based in the United States. If the COVID-19 pandemic continues for an extended period or worsens, it could materially and adversely impact our supply chain, technology development, sales and other aspects of our operations.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 pandemic in China. A substantial number of our offices and stores, as well as our manufacturing facilities, were closed for certain periods in the first quarter of 2020. As a result, our Smart EV deliveries decreased from 3,218 units in the fourth quarter of 2019 to 2,271 units in the first quarter of 2020. In particular, we delivered 1,055, 161 and 1,055 units of Smart EVs in January, February and March 2020, respectively, which were lower than our expectation before the COVID-19 outbreak. The sharp decrease in the number of deliveries in February 2020 was mainly due to the significant impact from COVID-19 outbreak in China and seasonal impact from the Chinese New Year holiday. In the second quarter, third quarter and fourth quarter of 2020, we delivered 3,228 units, 8,578 units and 12,964 units of Smart EVs, respectively. Furthermore, while the pandemic has not materially and adversely affected our supply chain as of the date hereof due to our advanced planning and effective supplier management, it has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 pandemic. We cannot assure you that these alternative suppliers and our other suppliers will not suspend their operation or become unable to provide sufficient components to us in the future if impact from the COVID-19 pandemic continues or worsens. The resumption of their normal manufacturing operations will depend on the status of various government regulations and the readiness of such suppliers and their currently inactive workforce. See also “– We are dependent on our suppliers, some of which are single-source suppliers. Suppliers may fail to deliver necessary components of our Smart EVs according to our schedule and at prices, quality levels and volumes acceptable to us.” In addition, we incurred additional costs relating to the delivery of new Smart EVs to customers’ homes, mask donations to our customers, technology advancement for remote working arrangements and OTA firmware updates.

Concerns about the COVID-19 pandemic and its potential impact on the Chinese and global economy have created uncertainty about the overall demand for automobile products, which could have negative implications for the demand of our Smart EVs. The prolonged COVID-19 pandemic in certain overseas markets may adversely affect our plan for international expansion. At this point, we cannot accurately predict what effects these conditions would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities.

We depend on revenues generated from a limited number of Smart EV models.

Our business initially depended substantially on the sales and success of the G3, which was our only mass-produced Smart EV in the market prior to May 2020. We started the production of our second mass-produced Smart EV, the P7, in May 2020. We plan to deliver our third Smart EV model, the P5, a smart electric sedan, in the fourth quarter of 2021. Our fourth Smart EV, an SUV, is expected to be launched in 2022. Historically, automobile customers have come to expect a variety of vehicle models offered in an OEM’s product portfolio and new and improved vehicle models to be introduced frequently. In order to meet these expectations, we plan to continuously introduce new models to enrich our product portfolio, as

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well as periodically introducing new versions of existing Smart EV models. To the extent our product variety and cycles do not meet consumer expectations, or cannot be produced on our projected timelines and cost and volume targets, our future sales may be adversely affected. Given that for the foreseeable future our business will depend on a limited number of models, to the extent a particular model is not well-received by the market, our sales volume could be materially and adversely affected. This could have a material adverse effect on our business, prospects, financial condition and operating results.

Our business and prospects depend significantly on our ability to build our XPeng brand. We may not succeed in continuing to maintain and strengthen the XPeng brand, and our brand and reputation could be harmed by negative publicity regarding our company, products or services.

Our business and prospects are heavily dependent on our ability to develop, maintain and strengthen the “XPeng” brand. If we do not continue to develop, 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 Smart EVs and services, and we have limited experience in these areas. In addition, we expect that our ability to develop, maintain and strengthen the XPeng brand will depend heavily on the success of our sales and marketing efforts. For example, we seek to enhance our brand recognition by locating a substantial majority of our stores, including direct stores and franchised stores, in shopping malls. We also advertise our Smart EVs through various online channels, including several social media platforms and e-commerce platforms. While we seek to optimize resource allocation through careful selection of sales and marketing channels, such efforts may not achieve the desired results. To promote our brand, we may be required to change our branding practices, which could result in substantially increased expenses, including the need to utilize traditional media and offline advertising. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

If incidents, such as self-ignition and products recall, occur or are perceived to have occurred, whether or not such incidents are our fault, we could be subject to adverse publicity. See “– We may choose to or be compelled to undertake product recalls or take other similar actions, which could adversely affect our brand image, business and results of operations.” Given the popularity of social media in China, any negative publicity, whether true or not, could quickly proliferate and harm consumer perceptions and confidence in our brand. In addition, from time to time, our Smart EVs are evaluated and reviewed by third parties. Any negative reviews or reviews which compare us unfavorably to competitors could adversely affect consumer perception about our Smart EVs.

We are dependent upon our relationship with Haima for the manufacturing of the G3.

In March 2017, we entered into a contract manufacturing arrangement with Haima Automobile Co., Ltd., or Haima, a China-based automotive manufacturer, for the manufacturing of our Smart EVs. The agreements relating to this arrangement will expire on December 31, 2021 and are renewable by mutual consent. Haima has over three decades of automotive manufacturing experience, and it has provided a plant in Zhengzhou for the manufacturing of the G3.

While we take comprehensive measures to ensure that Haima manufactures our Smart EVs in accordance with our standards, there can be no assurance that such measures will be effective. Collaboration

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with a third party for the manufacturing of vehicles is subject to risks with respect to operations over which we have limited control. We could experience delays to the extent Haima do not meet agreed upon timelines or experience capacity constraints as well as quality issues. There is risk of potential disputes with Haima, and we could be affected by adverse publicity related to Haima, whether or not such publicity is related to its collaboration with us. Our ability to successfully build our brand could also be adversely affected by perceptions about the quality of Haima's vehicles. In addition, although we are closely involved in each step of the supply chain and manufacturing process, given that we also rely on Haima to meet our quality standards, there can be no assurance that we will successfully maintain quality standards of the Smart EVs produced at the Haima plant.

We may be unable to enter into new agreements or extend existing agreements with Haima on terms and conditions acceptable to us. The agreement with Haima may also be terminated by mutual consent. If any of these events occurs, we may need to contract with other third parties or significantly add to our own production capacity. There can be no assurance that in such event we would be able to partner with other third parties or expand our own production capacity to meet our needs on acceptable terms or at all. The expense and time required to complete any transition and to assure that Smart EVs manufactured at facilities of new third-party partners comply with our quality standards and regulatory requirements may be greater than anticipated. Any of the foregoing could adversely affect our business, results of operations, financial condition and prospects.

Any problems or delays in ramping and maintaining operations of the Zhaoqing plant or the establishment of the new Smart EV manufacturing bases in Guangzhou and Wuhan could negatively affect the production of our Smart EVs.

To exercise direct control over product quality and gain more flexibility in adjusting our manufacturing process and production capacity, we built our own plant in Zhaoqing, Guangdong province. The Zhaoqing plant is initially utilized for production of the P7 and will also be utilized for other models. Our future operation and prospects depend on the successful ramping and maintaining of operation in the Zhaoqing plant. In addition, we need to effectively control cost of production at the Zhaoqing plant. While we intend to utilize the manufacturing know-how accumulated through our collaboration with Haima, we have limited direct experience in the production of Smart EVs. Given the size and complexity of this undertaking, it is possible that we may experience issues, delays or cost overruns in further expanding the production output at the Zhaoqing plant.

In September 2020, we entered into a cooperation agreement with Guangzhou GET Investment Holdings Co., Ltd., or Guangzhou GET Investment, a wholly owned investment company of Guangzhou Economic and Technological Development Zone, which is a local government authority in Guangzhou. Pursuant to the cooperation agreement, Guangzhou GET Investment agreed to support the construction of a new Smart EV manufacturing base for us. The new Smart EV manufacturing base will house a broad range of functions, including research and development, manufacturing, vehicle testing and sales. The new base is expected to significantly expand our production capacity. Guangzhou GET Investment will invest up to RMB1.3 billion to construct the Smart EV manufacturing base according to design requirements and specifications to be provided by us and provide or facilitate RMB1.2 billion in financing to purchase manufacturing equipment needed for the manufacturing base. The Smart EV manufacturing base is expected to satisfy the requirements for commencing operation by December 2022, upon which Guangzhou

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GET Investment will lease it to an operating subsidiary of our company for a tenure of seven years. Upon the expiry of the lease, such subsidiary will acquire the Smart EV manufacturing base from Guangzhou GET Investment at costs incurred by Guangzhou GET Investment.

In April 2021, we entered into an investment agreement with Wuhan Economic & Technological Development Zone Management Committee, or Wuhan ETDZ Committee, a local government authority in Wuhan. Pursuant to the investment agreement, Wuhan ETDZ Committee agrees to support our construction of a new Smart EV manufacturing base and R&D center in the Wuhan Economic & Technological Development Zone (the “Wuhan Base”). The Wuhan Base has a planned annual production capacity of 100,000 units.

The establishment of the new Smart EV manufacturing bases in Guangzhou and Wuhan is subject to a number of uncertainties. The commencement of their operation may be affected by, among other things, availability of funding, progress of the construction and the installation of production equipment, grant of applicable regulatory approvals, as well as the hiring and retention of qualified employees. Any policy change affecting investments in EV manufacturing facilities in general may also have an impact on the establishment of our new Smart EV manufacturing bases. There can be no assurance that the new Smart EV manufacturing bases will be able to commence operation in accordance with our plan. In addition, we may not be able to successfully ramp and maintain their operation. We must also maintain good working relationships with Guangzhou GET Investment and Wuhan ETDZ Committee throughout the term of our cooperation. In addition, upon the commencement of operations of the new Smart EV manufacturing bases in Guangzhou and Wuhan, our depreciation expenses will increase, which could adversely affect our results of operations.

If we experience any issues or delays in meeting our projected timelines, maintaining sufficient funding and capital efficiency, increasing production capacity or generating sufficient demand for production of Smart EVs in our Zhaoqing plant or the new Smart EV manufacturing bases in Guangzhou and Wuhan, our business, prospects, operating results and financial condition could be adversely impacted.

We are dependent on our suppliers, some of which are single-source suppliers. Suppliers may fail to deliver necessary components of our Smart EVs according to our schedule and at prices, quality levels and volumes acceptable to us.

We procure components from both domestic suppliers and global suppliers, some of which are currently our single-source suppliers for certain components. We attempt to mitigate our supply chain risk by qualifying and obtaining components from multiple sources where practicable and maintaining safety stock for certain key components and components with lengthy procurement lead times. However, we may still experience component shortages for our production or the components may not meet our specifications or quality needs. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 pandemic. See “– The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.” Furthermore, qualifying alternative suppliers or developing our own replacements for certain highly customized components of our Smart EVs may be time consuming and costly. Any disruption in the supply of components, whether or not from a single-source supplier, could temporarily disrupt production of our Smart EVs until an alternative supplier is fully qualified by us or we are able to procure the relevant components in sufficient quantities from other existing suppliers. Any

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failure to timely find alternative component sources may materially delay delivery of our Smart EVs, which may materially and adversely impact our business and results of operations. We do not manufacture certain key hardware components for our autonomous driving system, such as semiconductors, millimeter-wave radars, ultrasonic sensors and cameras, and we import certain of such components from foreign countries. The loss of any supplier for any reason, including any export control measures adopted by any foreign country to limit the import of supplies into China, could lead to vehicle design changes, production delays and potential loss of access to important technologies, any of which could result in quality issues, delays and disruptions in deliveries, negative publicity and damage to our brand. In particular, we source a majority of semiconductor-contained components from single-source suppliers. If any of such suppliers fails to meet our demand, it may take us significant time, and we may incur significant expenses to find alternative suppliers and quantify their components. See “– The continuing shortage in the supply of semiconductors may be disruptive to our operations and adversely affect our business, results of operations and financial condition.” for details. In addition, our suppliers may fail to comply with applicable laws and regulations, or they may be involved in product liability claims or incidents of negative publicity. If any of these incidents occur, customers may also lose confidence in our Smart EVs that incorporate components from the relevant suppliers, and our reputation, business and results of operations could be adversely affected. Developments that we cannot presently anticipate, such as changes in business conditions or government policies, natural disasters or epidemics, could also affect our suppliers’ ability to deliver components to us in a timely manner.

Any significant increases in our production, such as the launch of a new model, has required and may in the future require us to procure additional components in a short amount of time. Our suppliers may not ultimately be able to sustainably and timely meet our cost, quality and volume needs, requiring us to replace them with other sources. While we believe that we will be able to secure additional or alternative sources of supply for most of our components in a relatively short time frame, there is no assurance that we will be able to do so or develop our own replacements for certain highly customized components. Additionally, we continuously negotiate with existing suppliers to obtain cost reductions and avoid unfavorable changes to terms, seek new and less expensive suppliers for certain parts, and attempt to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs, our operating results will suffer.

Furthermore, as the scale of our Smart EV production increases, we will need to accurately forecast, purchase, warehouse and transport components to the relevant manufacturing facilities and service stores and at much higher volumes. If we are unable to accurately match the timing and quantities of component purchases to our actual needs or successfully implement automation, inventory management and other systems to accommodate the increased complexity in our supply chain, we may incur unexpected production disruption, as well as storage, transportation and write-off costs, which could have a material adverse effect on our financial condition and operating results.

Increases in costs, disruption of supply or shortage of components and materials could have a material adverse impact on our business.

We incur significant costs related to procuring components and raw materials required to manufacture our Smart EVs. We may experience cost increases, supply interruption and/or shortages relating to components and raw materials, which could materially and adversely impact our business, prospects,

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financial condition and operating results. We use various components and raw materials in our business, such as steel, aluminum, as well as lithium battery cells and semiconductors. The prices for these components and materials fluctuate, and their available supply may be unstable, depending on market conditions and global demand for these materials, including as a result of increased production of EVs by our competitors, and could adversely affect our business and operating results. In addition, as we continue to increase our production, we may experience shortage of certain components and materials or other bottlenecks in our supply chain.

For instance, we are exposed to multiple risks relating to lithium battery cells. These risks include:

- an increase in the cost, or decrease in the available supply, of materials used in the battery cells, such as lithium, nickel, cobalt and manganese;
- disruption in the supply of battery cells due to quality issues or recalls by battery cell manufacturers; and
- the inability or unwillingness of our current battery cell manufacturers to build or operate battery cell manufacturing plants to supply the numbers of lithium cells required to support the growth of the EV industry as demand for such battery cells increases.

Our business is dependent on the continued supply of battery cells for the battery packs used in our Smart EVs. While we believe several sources of the battery cells are available for such battery packs, we have to date fully qualified only a very limited number of suppliers for the battery cells used in such battery packs and have very limited flexibility in changing battery cell suppliers. Any disruption in the supply of battery cells from such suppliers could disrupt production of our Smart EVs until such time as a different supplier is fully qualified. There can be no assurance that we would be able to successfully retain alternative suppliers on a timely basis, on acceptable terms or at all.

Furthermore, tariffs or shortages in petroleum and other economic conditions may result in significant increases in freight charges and material costs. In addition, a growth in popularity of EVs without a significant expansion in battery cell production capacity could result in shortages which would result in increased materials costs to us or impact our prospects. Substantial increases in the prices for our raw materials or components would increase our operating costs, and could reduce our margins if we cannot recoup the increased costs through increased vehicle prices. Any attempts to increase product prices in response to increased material costs could result in decrease in sales and therefore materially and adversely affect our brand, image, business, prospects and operating results.

Any delays in the manufacturing and launch of the commercial production vehicles in our pipeline could have a material adverse effect on our business.

We started the production of our first mass-produced Smart EV, the G3, in November 2018 and our second mass-produced Smart EV, the P7, in May 2020. We plan to deliver our third Smart EV model, the P5, a smart electric sedan, in the fourth quarter of 2021. We plan to continuously introduce new models and facelifts to enrich our product portfolio and offer customers more selections. OEMs often experience delays in the design, manufacture and commercial release of new Smart EV models. Delays in the launch of new models and new versions may occur for a variety of reasons, such as changes in market conditions, technological challenges, lack of necessary funding, as well as disruptions in our supply chain or

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manufacturing facilities. To the extent we need to delay the launch of our Smart EVs, our growth prospects could be adversely affected as we may fail to grow our market share. We also plan to periodically perform facelifts or refresh existing models, which could also be subject to delays. Furthermore, we rely on third-party suppliers for the provision and development of many of the key components used in our Smart EVs. To the extent our suppliers experience any delays in providing us with or developing necessary components or experience quality issues, we could experience delays in delivering on our timelines. Any delay in the manufacture of our third Smart EV model or the manufacture and launch of our future models, including in the ramp up of our Zhaoqing plant or due to any other factors, or in performing facelifts to existing models, could lead to customer dissatisfaction and materially and adversely affect our reputation, demand for our Smart EVs, results of operations and growth prospects.

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

If our Smart EVs are subject to recalls in the future, we may be subject to adverse publicity, damage to our brand and liability for costs. Effective on January 30, 2021, we voluntarily recalled certain of the G3s that were produced in the period between March 29, 2019 and September 27, 2020, which totaled 13,399 units. Due to a possible power supply fault of the inverters installed on these G3s, the vehicles may not start when parked or lose power when driven. In connection with the recall, we undertake to replace the inverters of these G3s free of charge. As the relevant components' supplier is responsible for the costs of replacing inverters, our costs and expenses for the recall are minimal. As of the Latest Practicable Date, we have not received any material product liability claims in relation to these recalled G3s. See "Business—Comprehensive Services—After-Sales Services and Warranty."

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

We may not be able to expand our physical sales and service network cost-efficiently, and our franchise model is subject to a number of risks.

As of March 31, 2021, our physical sales and service network consisted of 88 direct stores and 90 franchised stores, as well as four direct service centers and 57 franchised service centers. We plan to further expand our physical sales and service network through a balanced combination of direct stores and franchised stores. This planned expansion may not have the desired effect of increasing sales and enhancing our brand recognition in a cost-efficient manner. We may need to invest significant capital and management resources to operate existing direct stores and open new ones, and there can be no assurance that we will be able to improve the operational efficiency of our direct stores.

While our franchise model enables us to pursue an asset-light expansion strategy, such model is also subject to a number of risks. We may not be able to identify, attract and retain a sufficient number of franchisees with the requisite experience and resources to operate franchised stores. Our franchisees are responsible for the day-to-day operation of their stores. Although we offer the same trainings and

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implement the same service standards for staff from both direct stores and franchised stores, we have limited control over how our franchisees' businesses are run. If our franchisees fail to deliver high quality customer service and resolve customer complaints in a timely manner, or if any of their misconduct leads to damages to our brand image and reputation, our business could be adversely affected. In addition, our agreements with certain of our franchisees are non-exclusive. While they are required to only sell our Smart EVs in the XPeng-branded franchised stores, they may operate other stores that sell vehicles of multiple other brands. These franchisees may dedicate more resources to the stores outside of our sales network and may not be able to successfully implement our sales and marketing initiatives. Furthermore, our franchisees may engage aggressive competition against each other, resulting in cannibalization among such franchisees. Any such behavior may harm our business, prospects, financial condition and results of operation.

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

We aim to provide consumers with a good customer service experience, including providing our customers with access to a comprehensive suite of charging solutions, after-sales services and value-added services, as well as software sale. Our services may fail to meet our customers' expectations, which could adversely affect our business, reputation and results of operations. Furthermore, we offer our customers the option to separately purchase our XPILOT software, which may not achieve wide customer acceptance. We also plan to expand our monetization on software and content offerings to include other premium features in the future. If we fail to receive the expected number of orders for monetization of software and content offerings, our business, results of operations and financial condition would be materially and adversely affected.

Offline after-sale services are primarily carried out by franchised service stores. We and our franchisees have limited experience in servicing our Smart EVs. Servicing EV is different from servicing ICE vehicles and requires specialized skills, including high voltage training and servicing techniques. There can be no assurance that our after-sale service arrangements will adequately address the service requirements of our customers to their satisfaction, or that we and our franchisees will have sufficient resources to meet these service requirements in a timely manner as the volume of Smart EVs we deliver increases. Moreover, we provide value-added services, including insurance agency service, automotive loan referral, finance lease, in-car payment and ride-hailing, and we may expand our value-added services in the future. However, we cannot assure you that we will be able to successfully monetize our value-added services. In addition, we are subject to certain risks relating to our ride hailing service. For example, the drivers may be involved in accidents or misconducts, which could result in personal injuries, property damage or other harms for passengers and third parties, as well as reputational damage and significant liabilities for us.

In addition, we seek to engage with our customers on an ongoing basis using online and offline channels. If we are unable to roll out and establish a broad service network covering both online and offline channels, consumer experience could be adversely affected, which in turn could materially and adversely affect our sales, results of operations and prospectus.

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We may face challenges in providing charging solutions.

We have marketed our ability to provide our customers a convenient charging experience. We offer installation of home chargers for our customers. Customers may also charge through XPeng-branded super charging stations and third-party charging piles. We plan to expand our charging network primarily by partnering with third parties. As of March 31, 2021, we offer a charging network that is connected to over 200,000 third-party charging piles across China. There can be no assurance that our partners will continue to expand their charging facilities, or that such partners will continue their cooperation on terms acceptable to us, or at all. As a result, we may need to invest significant capital to establish and operate more XPeng-branded super charging stations and/or engage additional franchisees to operate such stations. In addition, the installation of home chargers is handled by third-party service providers, and their service may not meet our customers' expectations. To the extent we or the relevant third parties are unable to meet customer expectations or experience difficulties in providing charging solutions, our reputation and business may be materially and adversely affected.

The range of our Smart EVs on a single charge declines over time which may negatively influence potential customers' decisions whether to purchase our Smart EVs.

The range of our Smart EVs on a single charge declines principally as a function of usage, time and charging patterns as well as other factors. For example, a customer's use of his or her Smart EV as well as the frequency with which the battery is charged can result in additional deterioration of the battery's ability to hold a charge. Battery deterioration and the related decrease in range may negatively influence potential customer decisions whether to purchase our Smart EVs, which may adversely affect our ability to market and sell our Smart EVs. There can be no assurance that we will be able to continue to improve cycle performance of our battery packs in the future.

Our industry is rapidly evolving and may be subject to unforeseen changes. Developments in alternative technologies or improvements in the ICE may materially and adversely affect the demand for our Smart EVs.

We operate in China's EV market, which is rapidly evolving and may not develop as we anticipate. The regulatory framework governing the industry is currently uncertain and may remain uncertain for the foreseeable future. As our industry and our business develop, we may need to modify our business model or change our products and services. These changes may not achieve expected results, which could have a material adverse effect on our results of operations and prospects.

Developments in alternative technologies, such as advanced diesel, ethanol, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, may materially and adversely affect our business and prospects in ways we do not currently anticipate. In addition, a sustained depression of petroleum price could make the ownership of ICE vehicles more attractive to consumers. Any failure by us to successfully react to changes in alternative technologies and market conditions could materially harm our competitive position and growth prospects.

Our future growth is dependent upon consumers' willingness to adopt EVs and specifically our Smart EVs.

The demand for our Smart EVs and services will highly depend upon the adoption by consumers of NEVs in general and EVs in particular. The market for NEVs is still rapidly evolving, characterized by

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rapidly changing technologies, prices and the competitive landscape, evolving government regulation and industry standards and changing consumer demands and behaviors.

Other factors that may influence the adoption of NEVs, and specifically EVs, include:

- perceptions about EV quality, safety, design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of EVs, whether or not such vehicles are produced by us or other OEMs;
- perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technologies, such as autonomous driving and lithium battery cells;
- the limited range over which EVs may be driven on a single battery charge and the speed at which batteries can be charged;
- the decline of an EV's range resulting from deterioration over time in the battery's ability to hold a charge;
- the availability of other types of NEVs, including plug-in hybrid electric vehicles;
- improvements in the fuel economy of the internal combustion engine;
- the availability of after-sales service for EVs;
- the environmental consciousness of consumers;
- access to charging stations, standardization of EV charging systems and consumers' perceptions about convenience and cost for charging an EV;
- the availability of tax and other governmental incentives to purchase and operate EVs or future regulation requiring increased use of nonpolluting vehicles;
- perceptions about and the actual cost of alternative fuel; and
- macroeconomic factors.

Any of the factors described above may cause current or potential customers not to purchase our Smart EVs and use our services. If the market for EVs does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be affected.

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

Our operating results may vary significantly from period to period due to many factors, including seasonal factors that may have an effect on the demand for our Smart EVs. Demand for new cars typically decline over the winter season and during the Chinese New Year holiday, while sales are generally higher in September and October. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. We may record significant increase in revenues when we commence mass delivery of a new product to fulfill customer orders accumulated in prior periods, but we may not be able to maintain our revenues at similar levels in subsequent periods. Also, any health pandemic or epidemics such as the COVID-19 pandemic and natural disasters such as unusually severe weather conditions in some markets may impact demand for, and our ability to manufacture and deliver, our Smart EVs. Our operating results could also suffer if we do not achieve revenues consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenues.

We also expect our period-to-period operating results to vary based on our operating costs, which we anticipate will increase significantly in future periods as we, among other things, design and develop new

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models, develop new technological capabilities, ramp up our manufacturing facilities and expand our physical sales network, as well as expanding our general and administrative functions to support our growing operations. We may incur substantial research and development and/or selling expenses when we develop and/or promote a new product in a given period without generating any revenue from such product until we start delivery of such products to customers in future periods. As a result of these factors, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and that these comparisons may not be indicative of future performance. Moreover, our operating results may not meet expectations of equity research analysts or investors. If this occurs, the trading price of our ADSs and/or Class A ordinary shares could fall substantially either suddenly or over time.

If we fail to effectively manage the risks related to our finance lease program, our business may be adversely affected.

We cooperate with banks and connect them with customers who seek automotive financing solutions. We believe the availability of financing options is important to our customers. If affordable automotive financing solutions are not available for our customers, we may not be able to grow our sales. To complement the banks' services, we also offer finance leases to our customers through a wholly-owned subsidiary, and we record the relevant finance leases on our balance sheets. As of March 31, 2021, the amount of finance lease receivables was RMB938.0 million (US\$143.2 million). As we continue to grow our business, we may increase the amount of finance leases we offer. We may not be able to obtain adequate funding for our finance lease program. We may also fail to effectively manage the credit risks related to our finance lease program, which would materially and adversely affect our business, results of operations and financial condition. In 2018, 2019, 2020 and the three months ended March 31, 2021, the amount of write-down of finance lease receivables was nil, RMB0.8 million, RMB3.5 million and RMB3.1 million (US\$0.5 million), respectively. In addition, if we do not successfully monitor and comply with applicable national and/or local financial regulations and consumer protection laws governing finance lease transactions, we may become subject to enforcement actions or penalties, which would adversely affect our business.

Any cyber-attacks, unauthorized access or control of our Smart EVs' systems could result in loss of confidence in us and our Smart EVs and harm our business.

Our Smart EVs contain complex information technology systems to support smart technology functions and to accept and install periodic OTA firmware updates. We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks and our Smart EVs' technology systems. However, hackers may attempt to gain unauthorized access to modify, alter and use such networks and systems. We encourage reporting of potential vulnerabilities in the security of our Smart EVs, and we aim to remedy any reported and verified vulnerability. However, there can be no assurance that vulnerabilities will not be exploited in the future before they can be identified, or that our remediation efforts are or will be successful. Any cyber-attacks, unauthorized access, disruption, damage or control of our information technology networks or our Smart EVs' systems or any loss or leakage of data or information stored in our systems could result in legal claims or proceedings. In addition, regardless of their veracity, reports of cyber-attacks to our information technology networks or our Smart EVs' systems or data, as well as other factors that may result in the perception that our information technology networks or our Smart EVs' systems or data are vulnerable to "hacking," could negatively affect our brand and harm our business, prospects, financial condition and results of operation.

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Actual or alleged failure to comply with data privacy and protection laws and regulations could damage our reputation, and discourage consumers from purchasing our Smart EVs.

We are subject to various data privacy and protection laws and regulations in China, including, without limitation, the PRC Cyber Security Law. Pursuant to these laws and regulations, a service provider is required to obtain a user's consent to collect the user's personal information. See "Regulatory Environment – Regulations Relating to Internet Information Security and Privacy Protection."

We have adopted strict information security policies, and we use a variety of technologies to protect the data with which we are entrusted. We mainly collect and store data relating to the usage of our Smart EVs, the autonomous driving system and intelligent operating system, as well as data collected through our sales and services channels. To the extent we collect customer information, we obtain prior consent from our customers in accordance with applicable laws and regulations. We de-sensitize customer data by removing personally identifiable information, when such information is not relevant to our business. We then analyze such information to improve our technologies, products and services. We use a variety of technologies to protect the data with which we are entrusted. For further information, see "Business – Data Privacy and Security."

Nevertheless, collection, use and transmission of customer data may subject us to legislative and regulatory burdens in China and other jurisdictions, which could, among other things, require notification of data breach, restrict our use of such information and hinder our ability to acquire new customers or serve existing customers. In particular, we began shipping Smart EVs to Europe in September 2020 and must therefore comply with the General Data Protection Regulation (EU) 2016/679 that became applicable on May 25, 2018, or the GDPR. The GDPR places stringent obligations and operational requirements on processors and controllers of personal data, including requiring expanded disclosures to data subjects about how their personal data is to be used, limitations on retention of information, mandatory data breach notification requirements, and higher standards for data controllers to demonstrate that they have obtained either valid consent or have another legal basis in place to justify their data processing activities. If we were found to be in violation of customers' rights to data privacy, we could face administrative investigation, disciplinary actions, civil claims and reputational damage. We may incur significant expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations. If third parties improperly obtain and use the personal information of our customers, we may be required to expend significant resources to resolve such problems.

In addition, the interpretation and application of personal information protection laws and regulations and standards are still uncertain and evolving. We cannot assure you that relevant governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analysis, storage and use. For example, the State Internet Information Office issued the Draft Administrative Provisions on Automobile Data Security for public comment on May 12, 2021, which reaffirms the basic principles and requirements on personal information protection previously specified in the existing laws and regulations and further provided, among other things, (i) the operators, including the automobile manufactures, shall obtain authorizations to collect the personal information including the location of the vehicles, the audios or videos, and the data used to identify illegal driving activities, from the drivers for each ride separately,

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(ii) the operators shall not provide the personal information and important data outside the vehicles unless necessary, (iii) the operators may only collect biometric data such as fingerprints, voice prints, faces and heart rhythms of the drivers for the purpose of facilitating the users and increasing the security of vehicle electronic and information systems, and an alternative method for biometric data shall also be provided; and (iv) the operators shall report its annual data security management condition to the competent governmental authority every year if the operators process personal information of more than 100,000 people or process any important data as defined under these provisions. In addition to the regulatory requirements, consumer attitudes towards data privacy are also evolving, and consumer concerns about the extent to which their data is collected by us may adversely affect our ability to gain access to data and improve our technologies, products and services. Furthermore, the integrity of our data protection measures could be compromised by system failures, security breaches or cyber-attacks. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage consumers from purchasing our Smart EVs and subject us to significant legal liabilities.

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

We enable our customers to access a variety of features and services through our mobile apps. In addition, certain of Smart EVs' features depend to a certain extent on connectivity to our information technology systems. As such, the availability and effectiveness of our services depend on the continued operation of our information technology and communications systems. Our systems are vulnerable to damage or interruption from, among others, fire, terrorist attacks, natural disasters, power loss, telecommunications failures, computer viruses or other attempts to harm our systems. Our data centers are also subject to break-ins, sabotage, and intentional acts of vandalism, and to potential disruptions. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Any problems at our data centers could result in lengthy interruptions in our service. In addition, our products and services are highly technical and complex and may contain errors or vulnerabilities, which could result in interruptions in our services or the failure of our systems.

We are subject to anti-corruption and anti-bribery and similar laws, and non-compliance 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 and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with applicable anti-corruption and anti-bribery 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.

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Non-compliance with anti-corruption or anti-bribery laws and regulations 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.

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

Our success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. As we build our brand and become more well-known, the risk that competitors or other companies may poach our talent increases. Our industry is characterized by high demand and intense competition for talent, in particular with respect to qualified talents in the areas of Smart EVs and autonomous driving technologies, and therefore we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. In addition, because our Smart EVs are based on a different technology platform than traditional ICE vehicles, individuals with sufficient training in Smart EVs may not be available to hire, and we will need to expend significant time and expense training the employees we hire. We also require sufficient talent in areas such as software development. Furthermore, as our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business, which may materially and adversely affect our ability to grow our business and our results of operations.

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

Misconduct by our employees during and before their employment with us could expose us to potentially significant legal liabilities, reputational harm and/or other damages to our business.

Many of our employees play critical roles in ensuring the safety and reliability of our products and services and/or our compliance with relevant laws and regulations in the areas including, but not limited to, trade secrets, privacy, data protection, anti-corruption and anti-money laundering. Certain of our employees have access to sensitive information and/or proprietary technologies and know-how. While we have adopted codes of conduct for all of our employees and implemented detailed policies and procedures relating to intellectual property, proprietary information and trade secrets, we cannot assure you that our employees will always abide by these codes, policies and procedures nor that the precautions we take to detect and

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prevent employee misconduct will always be effective. If any of our employees engage in any misconduct, illegal or suspicious activities, including but not limited to, misappropriation or leakage of sensitive client information or proprietary information, we and such employees could be subject to legal claims and liabilities and our reputation and business could be adversely affected as a result.

In addition, while we have screening procedures during the recruitment process, we cannot assure you that we will be able to uncover misconduct of job applicants that occurred before we offered them employment, or that we will not be affected by legal proceedings against our existing or former employees as a result of their actual or alleged misconduct. For example, one former employee of ours was arrested and then charged in July 2018 with stealing trade secrets from his previous employer, Apple. Although the alleged theft occurred before he was employed by us, we were subpoenaed by the grand jury to produce certain documents. There has been no development on this case since 2019.

Another former employee of ours was sued by Tesla in March 2019 for misappropriation of trade secrets while he was employed by Tesla. We cooperated with Tesla and provided various documents and information relating to the employee to Tesla upon their request. After over two years of litigation and extensive discovery effort, a joint stipulation of dismissal with prejudice was filed by this former employee and Tesla on April 15, 2021, and it is disclosed that the parties entered into a confidential settlement agreement to resolve all claims asserted in the action.

While we have put in place various safeguards to address the risk of unauthorized third-party information being introduced into our systems or used in our operations, and based on internal investigation, we are confident that neither of these two former employees introduced or used any external confidential information in our systems or business operations, we had to spend significant amount of time and efforts to handle these matters and answer related inquiries. Moreover, we could be involved in other proceedings, or be forced to defend against allegations that may arise in the future, even when such allegations are not justified. Any negative publicity surrounding these cases, especially in the event that any of such employees or former employees is found to have committed any wrongdoing, could negatively affect our reputation and may have an adverse impact on our business.

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

If we become liable for product liability claims, our business, operating results and financial condition may be harmed. The automotive industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our Smart EVs do not meet applicable standards or requirements, resulting in property damage, personal injury or death. Our risks in this area are particularly pronounced given we have limited experience of offering Smart EVs. Although we implement full-cycle quality control, covering design, procurement, production, sales and after-sales services, we cannot assure you that our quality control measures will be as effective as we expect. Any failure in any of our quality control steps would cause a defect in our Smart EVs, and in turn, could harm our customers. 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 Smart EVs and business and inhibit or prevent commercialization of our future Smart EVs, which would have a material adverse effect on our brand, business, prospects, financial condition and results of operations.

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In China, vehicles must meet or exceed all mandated safety standards. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving such standards. Vehicles must pass various tests and undergo a certification process and be affixed with China Compulsory Certification, or CCC, before receiving delivery from the factory, being sold, or being used in any commercial activity, and such certification is also subject to periodic renewal. Although our G3 and P7 have received CCC certifications, we cannot assure you that each of our future Smart EV models will be able to receive such certifications. Furthermore, the government carries out the supervision and scheduled and unscheduled inspection of certified vehicles on a regular basis. In the event that our certification fails to be renewed upon expiry, a certified vehicle has a defect resulting in quality or safety accidents, or consistent failure of certified vehicles to comply with certification requirements is discovered during follow-up inspections, the CCC may be suspended or even revoked. With effect from the date of revocation or during suspension of the CCC, any vehicle that fails to satisfy the requirements for certification may not continue to be delivered, sold or used in any commercial activity. Failure of any of our Smart EV models to satisfy motor vehicle standards would have a material adverse effect on our business, prospects, financial condition and results of operations.

Our Smart EVs make use of lithium cells, and lithium cells may catch fire or vent smoke and flame on rare occasions.

Our Smart EVs' battery packs make use of lithium cells. On rare occasions, lithium 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 cells. While our batteries are built with robust safety features and strong thermal management capabilities, there can be no assurance that our batteries will always function safely. If any safety accident occurs to any of our Smart EVs' battery pack, we could be subject to lawsuits, product recalls or redesign efforts, all of which would be time consuming and expensive. Also, negative public perceptions regarding the suitability of lithium cells for automotive applications or any future incident involving lithium cells, such as a vehicle fire, even if such incident does not involve our Smart EVs, could seriously harm customers' confidence in our Smart EVs.

Furthermore, we may store high volumes of lithium cells and battery modules and packs at our facilities. Any mishandling of battery cells may cause disruption to the operation of such facilities. While we have implemented safety procedures related to the handling of the cells, there can be no assurance that a safety issue or fire related to the cells would not disrupt our operations. Any such disruptions or issues may harm our brand and business.

If our Smart EV owners customize our Smart EVs or change the charging infrastructure with aftermarket products, the Smart EV may not operate properly.

Automobile enthusiasts may seek to "hack" our Smart EVs to modify their performance which could compromise vehicle safety systems. Also, customers may customize our Smart EVs with after-market parts that can compromise driver safety. We do not test, nor do we endorse, such changes. In addition, the use of improper external cabling or unsafe charging outlets can expose our customers to injury from high voltage electricity. Such unauthorized modifications could reduce the safety of our Smart EVs and any injuries resulting from such modifications could result in adverse publicity, which would negatively affect our brand and harm our business, prospects, financial condition and results of operations.

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

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 Smart EVs, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents, copyrights or trademarks regarding their proprietary rights. Companies holding patents, copyrights, trademarks or other intellectual property rights may bring suits alleging infringement of such rights by us or our employees or otherwise assert their rights and urge us to take licenses. Any such intellectual property infringement claim could result in costly litigation and divert our management's attention and resources.

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

- cease offering Smart EVs 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 Smart EVs or relevant services which would incur significant cost; or
- establish and maintain alternative branding for our Smart EVs and services.

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

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

We rely on a combination of patents, trademarks, copyrights, trade secrets and confidentiality agreements to protect our proprietary rights. As of March 31, 2021, we had 759 patents (including 202 invention patents), 1,375 pending patent applications, 504 registered trademarks and 116 pending trademark applications in China and certain other jurisdictions, which we have invested significant resources to develop. We rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our intellectual proprietary rights. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

There can be no assurance that our application for the registration with competent government authorities of trademarks and other intellectual property rights related to our current or future business will be approved, or our intellectual property rights will not be challenged by third parties or found by the relevant governmental or judicial authority to be invalid or unenforceable. From time to time, we may encounter difficulties registering our trademarks or other intellectual properties or have disputes with third

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parties regarding our trademarks or other intellectual properties. If the relevant trademarks or other intellectual properties could not be registered, we may fail to prevent others from using such intellectual properties, and our business, financial condition and results of operations may be materially and adversely affected.

Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States, Europe, or other developed countries or regions. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

In addition, as our patents may expire and may not be extended and our patent rights may be contested, circumvented, invalidated or limited in scope, our patent rights may not protect us effectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies, which could have a material and adverse effect on our business operations, financial condition and results of operations.

The use of certain premises may be disrupted if the land-use-purpose statutory provisions are strictly enforced by competent government authorities.

We lease a number of properties for our stores, service centers, offices and self-operated charging stations across China. Certain leased properties are not used in accordance with the designated purposes of such properties. For example, some stores or offices are currently located on lands designated for industrial usage instead of commercial usage. Under the PRC legal regime regarding the land use right, land shall be used strictly in line with the approved usage of the land. Any change as contemplated to the usages of land shall go through relevant land alteration registration procedures. If any state-owned land is illegally used beyond the approved usage, the land administrative departments of the PRC governments at and above the county level may retrieve the land and impose a fine. As such, our usage of such leased properties may subject the landlords to retrieval of land or removal of the buildings by the PRC government authorities and therefore we may need to move our stores, offices or charging stations somewhere else and additional relocation costs will be incurred.

In addition, certain leased properties had been mortgaged by the landlords to third parties before entering into lease agreements with us, and certain lessors of our leased properties failed to provide the building ownership certificates or other evidence demonstrating their rights to lease such properties. If the mortgagees of the leased properties exercise their mortgage right or the lessors do not actually have the rights to lease the relevant properties to us, we will not be able to continue our leases on the said properties and therefore we may need to relocate the relevant functions somewhere else and additional relocation costs will be incurred.

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Our insurance coverage strategy may not be adequate to protect us from all business risks.

We have limited liability insurance coverage for our products and business operations. A successful liability claim against us due to injuries suffered by our customers could materially and adversely affect our financial condition, results of operations and reputation. In addition, we do not have any business disruption insurance. Any business disruption event could result in substantial cost to us and diversion of our resources.

From time to time we may evaluate and potentially consummate strategic investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results.

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to enhance our competitive position. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction, which may result in investment losses.

Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits including the failure to successfully further develop the acquired technology;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management's time and resources from our normal daily operations and potential disruptions to our ongoing businesses;
- strain on our liquidity and capital resources;
- difficulties in executing intended business plans and achieving synergies from such strategic investments or acquisitions;
- difficulties in maintaining uniform standards, controls, procedures and policies within the overall organization;
- difficulties in retaining relationships with existing suppliers and other partners of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and

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- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

Any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenues to offset the associated acquisition costs or may not otherwise result in the intended benefits.

Certain of our operating subsidiaries may be required to obtain additional licenses or permits or make additional filings or registrations.

In order to operate our business, we need to obtain a series of licenses, permits and approvals, make filings or complete registrations according to relevant PRC laws and regulations. However, given the significant amount of discretion held by local PRC authorities in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, we cannot guarantee you that we have obtained or will be able to obtain and maintain all requisite licenses, permits, filings and registrations.

For example, PRC governments impose sanctions for engaging in value-added telecommunication services, or the VATS, without having obtained the VATS licenses for relevant categories. These sanctions include corrective orders and warnings from the PRC communication administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites and mobile apps may be ordered to cease operation. We have obtained two VATS licenses for Internet content provider, each held by Zhipeng IoV and Yidian Chuxing, respectively. Given that the interpretation of such regulations and PRC regulatory authorities' enforcement of such regulations in the context of VATS industry are evolving and remain uncertain, it is unclear whether we are required to obtain other VATS licenses. If we are not able to comply with all applicable legal requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations or suspension of our non-compliant operations, any of which may materially and adversely affect our business, financial condition and results of operations.

Certain of our operating subsidiaries that are providing repair and maintenance services have not made the automobile maintenance and management filing with competent government authorities. We may be ordered by the competent government authorities to rectify such non-compliance and failure to rectify such non-compliance may result in fines ranging from RMB5,000 to RMB20,000. In addition, one of our operating subsidiaries that is engaged in the cash settlement activities in relation to our franchised charging stations may be deemed as providing payment services and thus be required to obtain the payment business license. If we were deemed as providing payment services without obtaining the payment business license, we may be ordered by the People's Bank of China, or the PBOC, or its local branch to cease the activities related to cash settlement. During the Track Record Period, the revenue generated from our franchised charging stations accounted for less than 1% of our total revenue in each of 2018, 2019, 2020 and the three months ended March 31, 2021.

In addition, due to the uncertainties regarding the interpretation of the laws and regulations related to online transmission business of audio and visual programs and PRC regulatory authorities' enforcement of such laws and regulations, we may be required to obtain a License for Online Transmission of Audio and Visual Programs, as we allow users of our XPeng mobile app to upload and share audio and video content on the mobile app from time to time. If the government authorities determine that the audio and video

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uploading feature on our XPeng mobile app should be subject to this license requirement, we may be required to obtain necessary license and may even be subject to penalties, fines, legal sanctions and/or an order to remove such feature. As of the date of this prospectus, we have not received any notice of warning or been subject to penalties or other disciplinary action from the relevant government authorities regarding the lack of a License for Online Transmission of Audio and Visual Programs.

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

We are currently not party to any material legal or administrative proceedings. However, in light of the nature of our business, we and our management are susceptible to potential claims or disputes. We and certain of our management have been, and may from time to time in the future be, subject to or involved in various claims, disputes, lawsuits and other legal and administrative proceedings. Lawsuits and litigations may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceedings. In particular, according to the PRC Social Insurance Law and the Administrative Measures on Housing Fund, employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. Employers that fail to make adequate social insurance and housing fund contributions may be subject to fines and legal sanctions. If the relevant PRC authorities determine that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, and our business, financial condition and results of operation may be adversely affected.

We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and cause delays in building our manufacturing facilities.

We are subject to multiple environmental and safety laws and regulations related to the manufacture of our Smart EVs, including the use of hazardous materials in the manufacturing process and the operation of our manufacturing plant. Such laws and regulations govern the use, storage, discharge and disposal of hazardous materials during the manufacturing process.

In addition, from time to time, the government of the PRC issues new regulations, which may require additional actions on our part to comply. If the Zhaoqing plant or any of our other future constructions fails to comply with applicable regulations, we could be subject to substantial liability for clean-up efforts, personal injury or fines or be forced to close or temporarily cease the operations of the Zhaoqing plant or other relevant constructions, any of which could have a material adverse effect on our business, prospects, financial condition and results of operation. Our business could also be materially and adversely affected if the Haima plant fails to comply with applicable environmental and safety laws and regulations.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence in our company and the market price of our Class A ordinary shares and/or ADSs may be adversely affected.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the NYSE. The Sarbanes-Oxley Act requires, among other things, that we maintain

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effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2021, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. In addition, once we cease to be an “emerging growth company” as the term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. We may experience difficulty in meeting these reporting requirements in a timely manner.

In connection with the preparation and audits of our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting which was outstanding as of December 31, 2020. The material weakness identified relates to the lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP, in particular, to (i) develop comprehensive U.S. GAAP accounting policies and financial reporting procedures to address complex U.S. GAAP technical accounting issues and (ii) prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC.

We have implemented and are continuing to implement a number of measures to address the material weakness that has been identified. However, these measures require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. We cannot assure you that we or our independent registered public accounting firm will not identify such material weakness in connection with the preparation and audits of our consolidated financial statements for periods of future financial reporting cycles.

In addition, neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting as of and for the year ended December 31, 2020. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified. In preparing for the Listing, we also engaged an independent third party consultant to perform a review over selected areas of its internal controls over financial reporting and a follow-up review during February to May 2021. See “Business—Risk Management and Internal Controls—Financial Reporting Risk Management” for more details.

Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute,

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assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our Class A ordinary shares and/or ADSs could decline and we could be subject to sanctions or investigations by the NYSE, SEC or other regulatory authorities.

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

We have invested and expect to continue to invest significantly in what we believe is state of the art tooling, machinery and other manufacturing equipment in our manufacturing facilities, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we may decide to update our manufacturing process with cutting-edge equipment more quickly than expected. Moreover, as our engineering and manufacturing expertise and efficiency increase, we may be able to manufacture our Smart EVs using less of our installed equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and to the extent we own such equipment, our results of operations could be negatively impacted.

Our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance.

We offer competitive warranty terms. To retail customers who purchased the G3, we offer (i) a four-year or 100,000-kilometer warranty and (ii) an eight-year or 150,000-kilometer warranty for critical components, such as battery pack, motors and VCU. To retail customers who purchased the P7, we offer (i) a five-year or 120,000-kilometer warranty and (ii) an eight-year or 160,000-kilometer warranty for critical components, such as battery pack, motors and VCU. With respect to each Smart EV model, we also offer a two-year or 50,000-kilometer warranty covering vehicle repair, replacement and refund, in the event of certain product malfunctions specified in the applicable regulation. We accrue a warranty reserve for the Smart EVs sold by us, which includes our best estimate of the projected costs to repair or replace items under warranties and recalls when identified. We generally make warranty reserve by multiplying the expected unit costs for warranty services by the sales volume. We have limited experience with warranty claims regarding our Smart EVs or with estimating warranty reserves. As of March 31, 2021, we had warranty reserves in respect of our Smart EVs of RMB148.2 million (US\$22.6 million). We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to a significant and unexpected warranty claims, resulting in significant expenses, which would in turn materially and adversely affect our business, prospects, financial condition and results of operation.

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We face risks associated with the international sale of our Smart EVs, and if we are unable to effectively manage these risks, our business, financial condition and results of operations may be materially and adversely affected.

While we have historically sold substantially all of our Smart EVs in China, we have been exploring opportunities to expand into international markets. For example, we began to accept customer orders for our G3 from Norway through a local dealer and then started shipping the Smart EVs to such country in September 2020. We may also test sales into other international markets. While we expect China will continue to be our primary market, the marketing and sale of our Smart EVs to international markets may increase in the future, which will expose us to a number of risks, including, but not limited, to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- providing customer service and support in these markets;
- difficulty with staffing and managing overseas operations;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products and services including charging and other electric infrastructures;
- failure to obtain or maintain permits for our products or services in these markets;
- different safety concerns and measures needed to address accident related risks in different countries and regions;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Our expansion into international markets will require us to respond timely and effectively to rapid changes in market conditions in the relevant countries. Our success in international expansion depends, in part, on our ability to succeed in different legal, regulatory, economic, environmental, social and political conditions which we have little control over. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

We have incurred and may continue to incur substantial share-based compensation expenses.

In 2015, our subsidiary, Chengxing Zhidong, adopted a share incentive plan, pursuant to which options were granted to certain employees of Chengxing Zhidong and its subsidiaries. In June 2020, XPeng Inc. adopted a share incentive plan, or the Plan, to replace the share incentive plan adopted by Chengxing Zhidong, and we issued RSUs to replace the options granted to certain employees of Chengxing Zhidong and its subsidiaries. As of the Latest Practicable Date, RSUs which represents 43,218,456 underlying Class A ordinary shares were outstanding (which do not include the Class A ordinary shares underlying the vested RSUs), and shares underlying 13,550,190 of such RSUs were owned by XPeng Fortune, which has been

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established for our share incentive plan. We are required to recognize compensation expense for an equity award over the period in which the recipient is required to provide service in exchange for the equity award. Because the vesting of the RSUs (including the RSUs issued to replace the options granted under the share incentive plan of Chengxing Zhidong) is contingent upon the completion of an initial public offering or change in control, we recognized share-based compensation expenses relating to such equity awards in 2020 after the completion of our initial public offering in the U.S. in August 2020. Moreover, if additional RSUs or other share incentives are granted to our employees, Directors or consultants in the future, we will incur additional share-based compensation expense and our results of operations will be further adversely affected.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, prospects, financial condition and results of operation.

The global macroeconomic environment is facing challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States. There have been concerns over the downturn in economic output caused by the COVID-19 pandemic. It is unclear whether these challenges will be contained and what effects they each may have. Economic conditions in China are sensitive to global economic conditions. Recently there have been signs that the rate of China's economic growth is declining, and China's economy contracted in the first quarter of 2020 as a result of the COVID-19 outbreak. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. Credit risks of customers and suppliers and other counterparty risks may also increase.

Sales of our Smart EVs depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of our Smart EVs and our results of operations may be materially and adversely affected.

We could be adversely affected by political tensions between the United States and China.

Political tensions between the United States and China have escalated in recent years due to, among other things,

- the trade war between the two countries since 2018;
- the COVID-19 pandemic;
- the PRC National People's Congress' passage of Hong Kong national security legislation;
- the imposition of U.S. sanctions on certain Chinese officials from China's central government and the Hong Kong Special Administrative Region by the U.S. government, and the imposition of sanctions on certain individuals from the U.S. by the Chinese government;
- various executive orders issued by the U.S. government, which include, among others,
 - the executive order issued in August 2020, as supplemented and amended from time to time, that prohibits certain transactions with ByteDance Ltd., Tencent Holdings Ltd. and the respective subsidiaries of such companies;

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- the executive order issued in November 2020, as supplemented and amended from time to time, including, among others, by an executive order issued in June 2021, that prohibits U.S. persons from transacting publicly traded securities of certain Chinese companies named in such executive order;
- the executive order issued in January 2021, as supplemented and amended from time to time, that prohibits such transactions as are identified by the U.S. Secretary of Commerce with certain “Chinese connected software applications,” including Alipay and WeChat Pay; and
- the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures promulgated by the MOFCOM, on January 9, 2021, which will apply to Chinese individuals or entities that are purportedly barred by a foreign country’s law from dealing with nationals or entities of a third country.

Rising political tensions between China and the U.S. could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause investors to lose confidence in Chinese companies and counterparties, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

Furthermore, the U.S. government has imposed measures regarding limiting or restricting China-based companies from accessing U.S. capital markets, and delisting certain China-based companies from U.S. national securities exchanges. For further information, see “– Risks Relating to Doing Business in China – The audit report in our prior annual report on Form 20-F filed with the SEC is prepared by an auditor who is not inspected by the U.S. Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection.” In January 2021, after reversing its own delisting decision, the NYSE ultimately resolved to delist China Mobile, China Unicom and China Telecom in compliance with the executive order issued in November 2020, after receiving additional guidance from the U.S. Department of Treasury and its Office of Foreign Assets Control. In addition, the NYSE announced in February 2021 that it has determined to commence proceedings to delist CNOOC Limited in light of the same executive order. These delistings have introduced greater confusion and uncertainty about the status and prospects of Chinese companies listed on the U.S. stock exchanges. If any further measures were to be implemented, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States such as us, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ, or that you will always be allowed to trade our Class A ordinary shares or ADSs.

We are subject to various laws relating to export controls.

A substantial part of our research and development on autonomous driving is conducted in the United States, and we are required to comply with the U.S. laws and regulations on export controls, including the U.S. Department of Commerce’s Export Administration Regulations. Currently, such laws and regulations do not restrict our ability to offer our U.S.-origin software to customers in China. However, we may be

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affected by future changes in U.S. export control laws and regulations. If we were unable to transfer our U.S.-origin software to China, source U.S.-origin software and components from third parties or otherwise access U.S. technology as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected.

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

In order to operate our business effectively and meet our consumers' demands and expectations, we must maintain a certain level of inventory to ensure timely delivery. We determine our level of inventory based on our experience, number of orders from customers and assessment of customer demand.

However, forecasts are inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. If we fail to accurately forecast the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. We recognized inventory write-downs of nil, RMB109.5 million, RMB92.6 million and RMB46.5 million (US\$7.1 million) in 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. In addition, if we underestimate the demand for our products, our manufacturers may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and harm our reputation.

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

Significant impairment charges to our balance of intangible assets could materially and adversely impact our financial position and results of our operations.

Our intangible assets primarily consist of manufacturing license, license plate, software and license of maintenance and overhauls. Our intangible assets amounted to RMB48.9 million, RMB117.9 million, RMB607.8 million and RMB604.0 million (US\$92.2 million) as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. We test finite-lived intangible assets for impairment if impairment indicators arise. The indefinite-lived intangible assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Any significant impairment losses charged against our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

Fluctuation of fair value change in short-term investments may affect our results of operations.

During the Track Record Period, we made short-term investments, mainly comprising of the investments issued by major and reputable commercial banks with a variable interest rate indexed to the performance of underlying assets. Short-term investments are stated at fair value. Changes in the fair value are reflected in our consolidated statements of comprehensive loss. The methodology that we use to assess the fair value of the short-term investments involve a significant degree of management judgment and are inherently uncertain. We cannot assure you that market conditions will create fair value gains on our short-

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term investments or we will not incur any fair value losses on short-term investments in the future. If we incur such fair value losses, our results of operations and financial condition may be adversely affected.

If we do not continue to receive preferential tax treatments, our results of operations may be materially and adversely affected.

During the Track Record Period, we benefited from government grants and preferential tax treatments, many of which are non-recurring in nature or are subject to periodic review. See Note 16 to the Accountant's Report in Appendix I and "Financial Information—Taxation—PRC." There can be no assurance we will continue to receive preferential tax treatment. If we are unable to receive such treatment in the future, our results of operations may be materially and adversely affected.

Our recognition of deferred revenue is subject to future performance obligations and may not be representative of revenues for succeeding periods.

Our deferred revenue represents the transaction payment allocated to the performance obligations that are unsatisfied, which primarily arises from, among others, the undelivered vehicles, charging piles and free charging within certain limits. Our deferred revenue balance was RMB2.4 million, RMB85.5 million, RMB308.4 million and RMB333.5 million (US\$50.9 million) as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. The timing and ultimate recognition of our deferred revenue depend on various factors, including our performance of obligations. As a result, deferred revenue at any particular date may not be representative of actual revenue for any succeeding period.

We recorded shareholders' deficit during the Track Record Period.

We recorded total shareholders' deficit of RMB2,185.2 million and RMB6,830.4 million as of December 31, 2018 and 2019, respectively, primarily due to the accounting treatment for the Company's preferred shares before initial public offering as total mezzanine equity, and not total shareholders' equity. After our initial public offering in the United States in August 2020, all of the preferred shares had been converted into ordinary shares. As such, as of December 31, 2020 and March 31, 2021, we did not have any mezzanine equity and recorded total shareholders' equity of RMB34,429.8 million and RMB33,834.6 million (US\$5,164.2 million), respectively.

Although the total shareholders' deficit recorded during our Track Record Period was not due to capital shortage and was primarily resulted from accounting treatment of preferred shares, we cannot assure you that we will be able to continue to record total shareholders' equity and total net assets in the future. If we fail to do so, our financial condition may deteriorate.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of epidemics. In recent years, there have been outbreaks of epidemics in China and globally. If any of our employees are identified as a possible source of spreading COVID-19, H1N1 flu, avian flu or another epidemic, we may be required to quarantine employees that are suspected of being infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected premises, which could cause a temporary

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suspension of certain business operations. A recurrence of an outbreak of COVID-19, H1N1 flu, avian flu or another epidemic could restrict the level of economic activities generally and/or slow down or disrupt our business activities, which could in turn adversely affect our results of operations.

We are also vulnerable to natural disasters and other calamities. 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 to our customers.

Risks Relating to Our Corporate Structure

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

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2020 version), as promulgated by the NDRC and the MOFCOM and taking effect on January 27, 2021, and the 2020 Foreign Investment Negative List. Industries not listed in these two catalogs are generally deemed “permitted” for foreign investments unless specifically restricted by other PRC laws. According to the 2020 Foreign Investment Negative List and other applicable laws and regulations, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise providing value-added telecommunications services (other than the services of electronic commerce, multiparty conferencing within the PRC, information storage and forwarding, and call center), and the major foreign investors are required to possess good performance and prior experience in operating the value-added telecommunications services.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our PRC subsidiaries are foreign-invested enterprises, or FIEs. To comply with PRC laws and regulations, we operate our businesses related to the value-added telecommunications services through our consolidated VIEs, as defined below, which hold the required ICP licenses and other related licenses. Our subsidiary, Xiaopeng Chuxing, has entered into a series of contractual arrangements with Yidian Chuxing, and its shareholders. In addition, our subsidiary, Xiaopeng Technology, has entered into a series of contractual arrangements with Zhipeng IoV and its shareholders. Yidian Chuxing and Zhipeng IoV are collectively referred to as our consolidated VIEs. For a detailed description of these contractual arrangements, see “History and Corporate Structure – Our Contractual Arrangements.”

If our corporate structure and contractual arrangements are deemed by the MIIT or the MOFCOM or other regulators having competent authority to be illegal, either in whole or in part, we may lose control of our consolidated VIEs and have to modify such structure to comply with regulatory requirements. However,

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there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and contractual arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our relevant business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down our relevant services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our PRC consolidated VIEs' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. See “– Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations.” Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of our consolidated VIEs or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of such VIEs in our consolidated financial statements.

Our contractual arrangements with our consolidated VIEs may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our consolidated VIEs were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our consolidated VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our consolidated VIEs for underpaid taxes; or (ii) limiting the ability of our consolidated VIEs to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate the value-added telecommunications business, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.

We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate the value-added telecommunications business. For a description of these contractual arrangements, see “History and Corporate Structure – Our Contractual Arrangements.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIEs. If our consolidated VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements,

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our recourse to the assets held by our consolidated VIEs is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in our consolidated VIEs, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

If any of our VIEs or their shareholders fails to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements, and rely on legal remedies under PRC laws, including contractual remedies, which may not be sufficient or effective. All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. However, the legal framework and system in China, in particularly those relating to arbitration proceedings, are 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. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in the PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over our consolidated VIEs, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected. See “– Risks Relating to Doing Business in China – There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.”

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

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services like us. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations in such industry (the “**Qualification Requirements**”). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although we have taken many measures to meet the Qualification Requirements, we still face the risk of not satisfying the requirement promptly. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China, we may be unable to unwind the Contractual Arrangements before we are able to comply with the Qualification

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Requirements, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements, we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, Xiaopeng Technology, Xiaopeng Chuxing, or their designated person, have the exclusive right to purchase all or any part of the equity interests in our consolidated VIEs from their respective shareholders equal to the amount of the relevant registered capital contributed by the shareholders in our consolidated VIEs. If such amount in each case is lower than the minimum price permitted by PRC law, the minimum price permitted by PRC law shall be the purchase price. Subject to relevant laws and regulations, the shareholders of our consolidated VIEs shall return any amount of purchase price they have received to Xiaopeng Technology or Xiaopeng Chuxing. If such a transfer takes place, the competent tax authority may require Xiaopeng Technology or Xiaopeng Chuxing to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial.

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

In connection with our operations in China, we rely on the shareholders of our consolidated VIEs to abide by the obligations under such contractual arrangements. The interests of these shareholders in their individual capacities as the shareholders of our consolidated VIEs may differ from the interests of our company as a whole, as what is in the best interests of our consolidated VIEs, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our company. There can be no assurance that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or those conflicts of interest will be resolved in our favor. In addition, these individuals may breach or cause our consolidated VIEs and their subsidiaries to breach or refuse to renew the existing contractual arrangements with us. Control over, and funds due from, our consolidated VIEs may be jeopardized if such individuals breach the terms of the contractual arrangements or are subject to legal proceedings.

Currently, we do not have arrangements to address potential conflicts of interest the shareholders of our consolidated VIEs may encounter, on one hand, and as a beneficial owner of our company, on the other hand. We, however, could, at all times, exercise our option under the exclusive call option agreements to cause them to transfer all of their equity ownership in our consolidated VIEs to an entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of our consolidated VIEs as provided under the power of attorney agreements, directly appoint new directors of our consolidated VIEs. We rely on the shareholders of our consolidated VIEs to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our consolidated VIEs, we would have to rely on legal

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proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Our corporate actions will be substantially controlled by certain shareholders who will have the ability to control or exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for the Class A ordinary shares and/or ADSs and materially reduce the value of your investment.

Our current Memorandum and Articles of Association provide that in respect of all matters subject to a shareholders' vote, each Class A ordinary share is entitled to one vote, each Class B ordinary share is entitled to 10 votes and each Class C ordinary share is entitled to five votes. Upon the completion of the Global Offering, Mr. Xiaopeng He, our co-founder, chairman and chief executive officer and Mr. Heng Xia, our co-founder, Director and president, together beneficially own all the Class B ordinary shares issued and outstanding, which represents 76.2% of the voting power of our total issued and outstanding shares, assuming the Over-allotment Option is not exercised and no Class A ordinary shares are issued upon the vesting of RSUs pursuant to our 2019 Equity Incentive Plan. As of the Latest Practicable Date, Mr. He, Mr. Xia and Mr. Tao He, our co-founder, Director and senior vice president, beneficially own all the Class B ordinary shares issued and outstanding, which represents 69.4% of the voting power of our total issued and outstanding shares, and Taobao China beneficially owns all of our issued Class C ordinary shares and 13,300,000 Class A ordinary shares represented by ADSs, representing 14.6% of the voting power of our total issued and outstanding shares. However, as discussed in the "Share Capital" section, (i) all Class C ordinary shares held by Taobao China and (ii) all Class B ordinary shares held by Mr. Tao He will be converted into Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering. As such, Taobao China will beneficially own 191,918,464 Class A ordinary shares and Mr. Tao He will beneficially own 20,012,580 Class A ordinary shares, representing 3.6% and 0.4% of the voting power of our total issued and outstanding shares upon the completion of the Global Offering, respectively, assuming the Over-allotment Option is not exercised and no Class A ordinary shares are issued upon the vesting of RSUs pursuant to our 2019 Equity Incentive Plan. As a result, Mr. He and Mr. Xia have and will continue to have, upon the completion of the Global Offering, the ability to control or exert significant influence over important corporate matters to the extent permitted under the Listing Rules and the Memorandum and Articles of Association, and investors may be prevented from affecting important corporate matters involving our company that require approval of shareholders, including:

- the composition of our Board of Directors and, through it, any determinations with respect to our operations, business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;
- our disposition of substantially all of our assets; and
- any change in control.

These actions may be taken even if they are opposed by our other shareholders, including the holders of the Class A ordinary shares and/or ADSs. Furthermore, this concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of the Class A ordinary shares and/or ADSs. As a result of the foregoing, the value of your investment could be materially reduced.

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The structure of our share capital may render the Class A ordinary shares and/or ADSs ineligible for inclusion in certain stock market indices, and thus adversely affect the market price and liquidity of the Class A ordinary shares and/or ADSs.

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 their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Under the announced policies, our capital structure with more than one class of shares would make Class A ordinary shares and ADSs 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 the ADSs and Class A ordinary shares. These policies are still relatively new and it is yet unclear what effect, if any, they have had and will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included and may adversely affect the liquidity of the shares of such companies. As such, the exclusion of the Class A ordinary shares and/or ADSs from these indices could result in a less active trading market for the Class A ordinary shares and/or ADSs and adversely affect their trading price.

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

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the State Administration for Market Regulation, or the SAMR. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents. The chops of our subsidiaries and consolidated VIEs are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiaries and consolidated VIEs have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries and consolidated VIEs, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiaries and consolidated VIEs with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other

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controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations.

The VIE structure through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL, according to which, variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested entities, if they are ultimately “controlled” by foreign investors. In March 2019, the PRC National People’s Congress promulgated the Foreign Investment Law, and in December 2019, the State Council promulgated the Implementing Rules of Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Foreign Investment Law and the Implementing Rules do not introduce the concept of “control” in determining whether a company would be considered as a foreign-invested enterprise, nor do they explicitly provide whether the VIE structure would be deemed as a method of foreign investment. However, the Foreign Investment Law has a catch-all provision that includes into the definition of “foreign investments” made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the Foreign Investment Law, the possibility cannot be ruled out that the concept of “control” as stated in the 2015 Draft FIL may be embodied in, or the VIE structure adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If our consolidated VIE was deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any “negative list” for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business, financial condition and results of operations. 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. Failure to take timely and appropriate measures to cope with any of these or similar

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regulatory compliance challenges could materially and adversely affect our current corporate structure, business, financial condition and results of operations.

Risks Relating to Doing Business in China

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Our operations are mainly conducted in the PRC, and substantially all of our revenues have historically been sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, restricting the inflow and outflow of foreign capital, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government also has significant authority to exert influence on the ability of a China-based issuer, such as our company, to conduct its business. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Our operations are mainly conducted in the PRC, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three

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decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Uncertainties due to evolving laws and regulations could impede the ability of a China-based issuer, such as our company, to obtain or maintain permits or licenses required to conduct business in China. In the absence of required permits or licenses, governmental authorities could impose material sanctions or penalties on us. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation. Furthermore, if China adopts more stringent standards with respect to environmental protection or corporate social responsibilities, we may incur increased compliance cost or become subject to additional restrictions in our operations.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. 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 legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and/or our intellectual property rights and could materially and adversely affect our business, financial condition and results of operations.

The audit report in our prior annual report on Form 20-F filed with the SEC is prepared by an auditor who is not inspected by the U.S. Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection.

Our independent registered public accounting firm that issues the audit report included in our annual report filed with the SEC, as auditor of companies that are traded publicly in the U.S. and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas 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 overseas parties. Because our auditors are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

On May 24, 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations in the U.S. and China. PCAOB continues to be in discussions with the CSRC and the

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Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S. listed companies with significant operations in China. The joint statement reflects the U.S. regulators' heightened interest in this issue. In a statement issued on December 9, 2019, the SEC reiterated concerns over the inability of the PCAOB to conduct inspections of the audit firm work papers with respect to U.S. listed companies that have operations in China, and emphasized the importance of audit quality in emerging markets, such as China. On April 21, 2020, the SEC and the PCAOB issued a new joint statement, reminding the investors that in investing in companies that are based in or have substantial operations in many emerging markets, including China, there is substantially greater risk that disclosures will be incomplete or misleading, and there is also a greater risk of fraud. In the event of investor harm, there is substantially less ability to bring and enforce SEC, DOJ and other U.S. regulatory actions, in comparison to U.S. domestic companies, and the joint statement reinforced past SEC and PCAOB statements on matters including the difficulty to inspect audit work papers in China and its potential harm to investors.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our consolidated financial statements.

Due to the enactment of the Holding Foreign Companies Accountable Act, or the HFCA Act, we may not be able to maintain our listing on the NYSE.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in December 2020, the United States enacted the Holding Foreign Companies Accountable Act, or the HFCA Act, which includes requirements for the SEC to identify issuers whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate because of restrictions imposed by non-U.S. authorities in the auditor's local jurisdiction, or covered issuers. The HFCA Act also requires public companies on this SEC list to certify that they are not owned or controlled by a foreign government and make certain additional disclosures on foreign ownership and control of such issuers in their SEC filings. Furthermore, the HFCA Act amends the Sarbanes-Oxley Act of 2002 to require the SEC to prohibit securities of any U.S. listed companies from being traded on any of the U.S. national securities exchanges, such as the NYSE and the NASDAQ, or in the U.S. "over-the-counter" markets, if the auditor of the U.S. listed companies' financial statements is not subject to PCAOB inspections for three consecutive "non-inspection" years after the law becomes effective.

While the SEC has not yet identified a list of issuers whose auditors are not subject to PCAOB inspections, the first such list could be released in early 2022. On March 24, 2021, the SEC announced the adoption of interim final amendments to implement the submission and disclosure requirements of the HFCA Act. In the announcement, the SEC clarifies that before any issuer will have to comply with the interim final amendments, the SEC must implement a process for identifying covered issuers. The

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announcement also states that the SEC staff is actively assessing how best to implement the other requirements of the HFCA Act, including the identification process and the trading prohibition requirements. Enactment of the HFCA Act and other efforts to increase the U.S. regulatory access to audit information could cause investor uncertainty as to China-based issuers' ability to maintain their listings on the U.S. national securities exchanges, including us, and the market price of the Class A ordinary shares and/or ADSs could be adversely affected. We cannot assure you that we will not be identified by the SEC as an issuer whose audit report is prepared by auditors that the PCAOB is unable to inspect or investigate. We cannot assure you that, once we have a "non-inspection" year, we will be able to take remedial measures in a timely manner, and as a result, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ, or that you will always be allowed to trade our Class A ordinary shares or ADSs. If we were subject to the trading prohibitions of the HFCA Act, the market price and liquidity of our ADSs and/or Class A ordinary shares will be materially and adversely affected.

Certain PRC regulations establish more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.

Certain PRC regulations established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. Mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the anti-monopoly authority under the State Council when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules, issued by the State Council in August 2008 and amended in September 2018, is 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. Furthermore, as required by the Measures for the Security Review of Foreign Investment, promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective as of January 18, 2021, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, Internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such

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transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See “Regulatory Environment – Regulations Relating to Foreign Investment.”

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits.

PRC residents are subject to restrictions and filing requirements when investing in offshore companies. The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” Pursuant to SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries’ ability to distribute

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dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

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

China's overall economy and the average wage in China have increased in recent years and are expected to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will increase. Unless we are able to pass on these increased labor costs to our 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 fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation and unilaterally terminating labor contracts. In the event that we decide to terminate any 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 do so or effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

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

Any failure to comply with PRC regulations regarding our employee share incentive plan 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 due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies before they obtain the incentive shares or exercise the share options. Our Directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. As an overseas listed company, we and our Directors, executive officers and other employees who are PRC residents and who have been granted options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed

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Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We have made efforts to comply with these requirements. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plan or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprise in China and limit our wholly-foreign owned enterprise's ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our Directors and employees under PRC law.

We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating 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 rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. Certain of our subsidiaries did not have any retained earnings available for distribution in the form of dividends as of March 31, 2021. In addition, registered capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantial and overall management and control over the production and operations, personnel, accounting and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding

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the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009, which was most recently amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 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 offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.”

Dividends paid to our foreign investors and gains on the sale of the ADSs or Class A ordinary shares by our foreign investors may become subject to PRC tax.

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of ADSs or Class A ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our Class A ordinary shares or ADSs, and any gain realized from the transfer of our Class A ordinary shares or ADSs, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or Class A ordinary shares by such investors may be subject to PRC tax (which in the case of dividends may be withheld at source) at a rate of 20%. Any PRC tax liability may be reduced by an applicable tax treaty. However, if we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of the ADSs or Class A ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends paid to our non-PRC investors, or gains from the transfer of the ADSs or Class A ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in the ADSs or Class A ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7. Pursuant to

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this Bulletin 7, an “indirect transfer” of assets, including non-publicly traded equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized 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. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include, without limitation: whether the main value of the equity interest of the relevant offshore enterprise derives 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 mainly derives from China; 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 duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the State Administration of Taxation promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Circular 37, which became effective on December 1, 2017 and was most recently amended on June 15, 2018. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our company may be subject to filing obligations or taxed if our company is transferor in such transactions, and may be subject to withholding obligations if our company is transferee in such transactions under Bulletin 7 and SAT Circular 37. For transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Bulletin 7 and SAT Circular 37. As a result, we may be required to expend valuable resources to comply with Bulletin 7 and SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these publications, or to establish that our company should not be taxed under these publications, which may have a material adverse effect on our financial condition and results of operations.

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We are subject to restrictions on currency exchange.

Substantially all of our revenues is denominated in Renminbi. The Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our PRC subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities. Since a significant amount of our future revenues and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of the Class A ordinary shares and/or ADSs, and may limit our ability to obtain foreign currency through debt or equity financing for our onshore subsidiaries.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our offshore offerings to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds from our initial public offering in the U.S., the follow-on public offering and the Global Offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to the requirement of making necessary registration with competent governmental authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015, which was amended on December 30, 2019. According to 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 Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB 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 the PRC in actual practice. SAFE subsequently issued several circulars in the following years to provide additional guidelines on the use by foreign-invested entities’ of the income under their capital accounts generated from their capital, foreign debt and overseas listing. However, the interpretation and enforcement of SAFE Circular 19 and other circulars remain subject to uncertainty and potential future policy changes from the SAFE.

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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 or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the proceeds we received from the initial public offering in the U.S., the follow-on public offering and the Global Offering, 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.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

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 and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, 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, 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. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the Renminbi appreciated approximately 7% against the U.S. dollar during this one-year period. Starting from the beginning of 2019, the Renminbi has depreciated significantly against the U.S. dollar again. In early August 2019, the PBOC set the Renminbi's daily reference rate at RMB7.0039 to US\$1.00, the first time that the exchange rate of Renminbi to U.S. dollar exceeded 7.0 since 2008. 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.

Most of our revenues and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of Renminbi may materially and adversely affect our results of operations and financial position reported in Renminbi when translated into U.S. dollars, and the value of, and any dividends payable on, the ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from our initial public offering in the U.S. and the follow-on public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive.

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Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our Class A 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.

The ability of U.S. authorities to bring actions for violations of U.S. securities law and regulations against us, our Directors, executive officers or the expert named in this prospectus may be limited. Therefore, you may not be afforded the same protection as provided to investors in U.S. domestic companies.

The SEC, the U.S. Department of Justice, or the DOJ, and other U.S. authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies such as us, and non-U.S. persons, such as our Directors and executive officers in China. Due to jurisdictional limitations, matters of comity and various other factors, the SEC, the DOJ and other U.S. authorities may be limited in their ability to pursue bad actors, including in instances of fraud, in emerging markets such as China. We conduct our operations mainly in China and our assets are mainly located in China. In addition, a majority of our Directors and executive officers reside within China. There are significant legal and other obstacles for U.S. authorities to obtain information needed for investigations or litigation against us or our Directors, executive officers or other gatekeepers in case we or any of these individuals engage in fraud or other wrongdoing. In addition, local authorities in China may be constrained in their ability to assist U.S. authorities and overseas investors in connection with legal proceedings. As a result, if we, our Directors, executive officers or other gatekeepers commit any securities law violation, fraud or other financial misconduct, the U.S. authorities may not be able to conduct effective investigations or bring and enforce actions against us, our Directors, executive officers or other gatekeepers. Therefore, you may not be able to enjoy the same protection provided by various U.S. authorities as it is provided to investors in U.S. domestic companies.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China, based on United States or other foreign laws, against us, our Directors, executive officers or the expert named in this prospectus. Therefore, you may not be able to enjoy the protection of such laws in an effective manner.

We conduct our operations mainly in China, and our assets are mainly located in China. In addition, a majority of our Directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us, our Directors and executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Even if you obtain a judgment against us, our Directors, executive officers or the expert named in this prospectus in a U.S. court or other court outside China, you may not be able to enforce such judgment against us or them in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible. In addition, you may not be able to bring original actions in China based on the U.S. or other foreign laws against us, our Directors, executive officers or the expert named in this prospectus. As a result, shareholder claims that are common in the U.S., including class actions based on securities law and fraud claims, are difficult or impossible to pursue as a matter of law and practicality in 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

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mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas 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 overseas parties. While detailed interpretation of or implementation rules under Article 177 of the PRC Securities Law is not yet available, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by investors in protecting your interests. If an investor is unable to bring a U.S. claim or collect on a U.S. judgment, the investor may have to rely on legal claims and remedies available in China or other overseas jurisdictions where a China-based issuer, such as our company, may maintain assets. The claims and remedies available in these jurisdictions are often significantly different from those available in the United States and difficult to pursue. Therefore, you may not be able to effectively enjoy the protection offered by the U.S. laws and regulations that are intended to protect public investors.

Additional remedial measures could be imposed on certain PRC-based accounting firms, including our independent registered public accounting firm, in administrative proceedings instituted by the SEC, as a result of which our financial statements may be determined to not be in compliance with the requirements of the Exchange Act, if at all.

In December 2012, the SEC brought administrative proceedings against the PRC-based “big four” accounting firms, including auditors of our audit report in our prior annual report on Form 20-F filed with the SEC, alleging that they had violated U.S. securities laws by failing to provide audit work papers and other documents related to certain other PRC-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring and suspending these accounting firms from practicing before the SEC for a period of six months. The decision was neither final nor legally effective until reviewed and approved by the SEC, and on February 12, 2014, the PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement required the firms to follow detailed procedures to seek to provide the SEC with access to such firms’ audit documents via the CSRC. If the firms did not follow these procedures or if there is a failure in the process between the SEC and the CSRC, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. Under the terms of the settlement, the underlying proceeding against the four PRC-based accounting firms was deemed dismissed with prejudice for four years after entry of the settlement. The four-year mark occurred on February 6, 2019. We cannot predict if the SEC will further challenge the four PRC-based accounting firms’ compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such challenge would result in the SEC imposing penalties such as suspensions.

In the event that the PRC-based “big four” accounting firms become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the

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requirements of the Exchange Act, including possible delisting. Moreover, any negative news about any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, U.S.-listed companies and the market price of our Class A ordinary shares and/or our ADSs may be adversely affected.

If the auditor of our audit report in our prior annual report on Form 20-F filed with the SEC were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our consolidated financial statements, our consolidated financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to delisting of the ADSs from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of the ADSs in the U.S.

Risks Relating to Our Shares, ADSs and the Dual Listing

The trading price of our ADSs has been and is likely to continue to be, and the trading price of our Class A ordinary shares can be, volatile, which could result in substantial losses to holders of our Class A ordinary shares and/or ADSs.

The trading price of our ADSs has been and is likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. The trading price of our Class A ordinary shares, likewise, can be volatile for similar or different reasons. The stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. In particular, the stock prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong and/or the United States may affect the volatility in the prices of and trading volumes for our Class A ordinary shares and/or ADSs. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities, including technology companies, may affect the attitudes of investors toward Chinese companies listed in Hong Kong and/or the United States, which consequently may impact the trading performance of our Class A ordinary shares and/or ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Furthermore, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the U.S., China and other jurisdictions in late 2008, early 2009, the second half of 2011, 2015 and the first quarter of 2020. In particular, concerns about the economic impact of the COVID-19 pandemic have triggered significant price fluctuations in the U.S. stock market. In addition, a portion of our ADSs may be traded by short sellers, which may further increase the volatility of the trading price of our ADSs. All these fluctuations and incidents may have a material and adverse effect on the trading price of our Class A ordinary shares and/or our ADSs.

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In addition to the above factors, the price and trading volume of our Class A ordinary shares and/or our ADSs may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry;
- announcements of studies and reports relating to the quality of our product offerings or those of our competitors;
- changes in the economic performance or market valuations of other providers of electric vehicles;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the EV market in China;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- the implementation of the HFCA Act and future development in that regard;
- fluctuations of exchange rates among Renminbi, the Hong Kong Dollar and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our Class A ordinary shares or ADSs; and
- sales or perceived potential sales of additional Class A ordinary shares or ADSs.

We may fail to meet our publicly announced guidance or other expectations about our business, which could cause our stock price to decline.

We may from time to time provide guidance regarding our expected financial and business performance. Correctly identifying key factors affecting business conditions and predicting future events is inherently an uncertain process, and our guidance may not ultimately be accurate in all respects. Our guidance is based on certain assumptions, such as those relating to anticipated production and sales volumes, average sales prices, supplier and commodity costs, and planned cost reductions. If our guidance varies from actual results, the market value of our Class A ordinary shares and/or ADSs could decline significantly.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or ADSs and their trading volume could decline.

The trading market for our Class A ordinary shares and our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Class A ordinary shares and/or ADSs or publishes inaccurate or unfavorable research about our business, the market price for our Class A ordinary shares and/or ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Class A ordinary shares and/or ADSs to decline.

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Because we do not expect to pay cash dividends in the foreseeable future, you may not receive any return on your investment unless you sell your Class A ordinary shares or ADSs for a price greater than that which you paid for them.

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 “Financial Information – Dividend Policy” for further details. Therefore, you should not rely on an investment in our Class A ordinary shares and ADSs as a source for any future dividend income.

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

Substantial future sales or perceived potential sales of our Class A ordinary shares and/or ADSs in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline.

Sales of our Class A ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could cause the market price of our Class A ordinary shares and ADSs to decline significantly. As of the Latest Practicable Date, we had 998,203,046 Class A ordinary shares, 429,846,136 Class B ordinary shares and 178,618,464 Class C ordinary shares issued and outstanding. All ADSs representing our Class A ordinary shares sold in our initial public offering in the U.S. and follow-on public offering are freely transferable by persons other than our “affiliates” without restriction or additional registration under the U.S. Securities Act of 1933, as amended, or the Securities Act. All of the other ordinary shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rule 144 and Rule 701 under the Securities Act.

In addition, certain of our shareholders have the right to cause us to register the sale of their ordinary shares under the Securities Act upon the occurrence of certain circumstances. Registration of these Shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of ADSs representing these registered shares in the public market could cause the price of our Class A ordinary shares and/or ADSs to decline significantly.

Holders of our ADSs may have fewer rights than holders of our Class A ordinary shares and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the

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deposit agreement. Under our current Memorandum and Articles of Association, the minimum notice period required to convene a general meeting will be seven calendar days. We will (i) provide at least 21 days' notice and at least 14 days' notice for any annual and extraordinary general meetings after the Listing, respectively and (ii) put forth a resolution at or before our next general meeting of the Company to revise our Memorandum and Articles of Association, so that the minimum notice period required to convene an extraordinary general meeting will be 14 days.

When a general meeting is convened, the holders of ADSs may not receive sufficient notice of a shareholders' meeting to permit the withdrawal of the underlying Class A ordinary shares represented by their ADSs to allow them to cast their votes with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting materials to holders of ADSs or carry out the voting instructions of the holders of ADSs in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to holders of ADSs in a timely manner, but there can be no assurance that holders of ADSs will receive the voting materials in time to ensure that they can instruct the depositary to vote their ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote and may lack recourse if the underlying ordinary shares represented by their ADSs are not voted as they requested. In addition, holders of ADSs will not be able to call a shareholders' meeting.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying the ADSs at shareholders' meetings if holders of these ADSs do not give voting instructions to the depositary, which could adversely affect the interests of the holders of our Class A ordinary shares and/or ADSs.

Under the deposit agreement for the ADSs, if holders of ADSs do not vote, the depositary will give us a discretionary proxy to vote the underlying Class A ordinary shares represented by their ADSs at shareholders' meetings unless:

- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have an adverse impact on holders of ADSs; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that holders of ADSs cannot prevent our underlying Class A ordinary shares represented by their ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our Company. Holders of our Class A ordinary shares are not subject to this discretionary proxy.

The rights of our ADS holders to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement and the deposit agreement may be amended or terminated without their consent.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the

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ADSs (including any such action or proceeding that may arise under the Securities Act or Exchange Act) may only be instituted in a state or federal court in New York, New York, and holder of our ADSs will have irrevocably waived any objection which they may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. Also, we may amend or terminate the deposit agreement without the consent of holders of ADSs. If holders of ADSs continue to hold their ADSs after an amendment to the deposit agreement, they will be deemed to have agreed to be bound by the deposit agreement as amended, unless such amendment is found to be invalid under any applicable laws, including the federal securities law.

The right of our ADS holders to participate in any future rights offerings may be limited, which may cause dilution to their holdings of our ADS.

We may, from time to time, distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to holders of ADSs in the U.S. unless we register both the distribution and sale of the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to holders of ADSs unless both the distribution and sale of the rights and the underlying securities to be distributed to holders of ADSs are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, holders of ADSs may be unable to participate in our rights offerings in the future and may experience dilution in their holdings.

Holders of our ADSs may not receive cash dividends or other distributions if the depositary determines it is illegal or impractical to make them available to them.

The depositary will pay cash distribution on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends in the foreseeable future. To the extent that there is a distribution, the depositary of the ADSs has agreed to pay to holders of our ADSs the cash dividends or other distributions it or the custodian receives on our Class A ordinary shares or other deposited securities after deducting its fees and expenses. Holders of ADSs will receive these distributions in proportion to the number of Class A ordinary shares their ADSs represent. However, the depositary may, at its discretion, decide that it is illegal or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to holders of ADSs.

We have incurred and expect to continue to incur significant costs as a public company, which could lower our profits or make it more difficult to run our business.

As a public company, we have incurred and expect to continue to incur significant legal, accounting and other expenses that we did not incur as a private company to ensure that we comply with the various requirements on corporate governance practices imposed by the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the NYSE.

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For example, we have increased the number of independent Directors and adopted policies regarding internal controls and disclosure controls and procedures. We have also incurred additional costs associated with our public company reporting requirements. We expect that these rules and regulations will continue to cause us to incur elevated legal and financial compliance costs, devote substantial management effort to ensure compliance and make some corporate activities more time-consuming and costly. We are currently evaluating and monitoring developments with respect to these rules and regulations, and 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 with less than US\$1.07 billion in net revenues for our last financial year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. Once 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 of 2002 and the other rules and regulations of the SEC.

In the past, shareholders of a public company often brought securities class action suits against companies following periods of instability in the market price of those companies’ 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, which could harm our results of operations and require us to incur significant expenses to defend the suit. 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.

Holders of our ADSs may be subject to limitations on transfer of their ADSs.

Our ADSs are transferable on the books of the depository. However, the depository may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depository may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depository are closed, or at any time if we or the depository deems it 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.

Our current Memorandum and Articles of Association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders’ opportunity to sell their shares, including ordinary shares represented by the ADSs, at a premium.

Our current Memorandum and Articles of Association gives us powers to take actions, some of which could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a

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tender offer or similar transaction. For example, our Board of Directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A ordinary shares, in the form of ADS 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 Class A ordinary shares and/or ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and/or ADSs may be materially and adversely affected. However, our exercise of any such power that may limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions under the Articles after the Listing shall be subject to the Company's overriding obligations to comply with all applicable Hong Kong laws and regulations, the Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs. In addition, the Company will, prior to the Listing, irrevocably undertake to the Stock Exchange that, any power to be exercised by the Director under Article 3(b) of the Company's existing Articles (including but not limited to the power to authorize division of Shares into any number of classes and issue shares with preferred or other rights and series of preferred shares) to be subject to the Articles, compliance with the Listing Rules and the Code on Takeovers and Mergers, and the conditions that (x) no new class of shares with voting rights superior to those of Class A ordinary shares will be created and (y) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares (the **"Overriding Compliance Requirement"**), and the Company will seek shareholders' approval to amend our Articles to incorporate the Overriding Compliance Requirement at the 2021 EGM. See "Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company" for further details. In addition, our current Memorandum and Articles of Association contain other provisions that may have the effect of limiting the ability of third parties to acquire control of our company or cause us to engage in a transaction resulting in a change of control, including a provision that entitles each the holder of Class B ordinary share to 10 votes in respect of all matters subject to a shareholders' vote. Nevertheless, at an extraordinary meeting which we have undertaken to convene within 6 months of Listing, we will seek shareholders' approval to amend our Articles to specify that certain matters can only be approved on a one-share-one-vote basis. Please see "Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company" for further details.

Our current Articles of Association provide that the courts of the Cayman Islands and the U.S. federal courts will be the exclusive forums for substantially all disputes between us and our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for complaints against us or our Directors, officers or employees.

Our current Articles of Association provide that, unless otherwise agreed by us, (i) the federal courts of the United States shall have exclusive jurisdiction to hear, settle and/or determine any dispute, controversy or claim arising under the provisions of the Securities Act or the Exchange Act, which are referred to as the "US Actions;" and (ii) save for such US Actions, the courts of the Cayman Islands shall have exclusive jurisdiction to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with our Articles of Association or otherwise, including without limitation:

- any derivative action or proceeding brought on behalf of our company,

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- any action asserting a claim of breach of a fiduciary duty owed by any of our Director, officer or other employee to our company or our shareholders,
- any action asserting a claim under any provision of the Cayman Companies Act or our articles of association, including but not limited to any purchase or acquisition of shares, security or guarantee provided in consideration thereof, or
- any action asserting a claim against our company which if brought in the United States would be a claim arising under the internal affairs doctrine (as such concept is recognized under the laws of the United State).

These exclusive-forum provisions may increase a shareholder's cost and limit the shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our Directors, officers or other employees, which may discourage lawsuits against us and our Directors, officers and other employees. Any person or entity purchasing or otherwise acquiring any of our shares or other security, such as the ADSs, whether by transfer, sale, operation of law or otherwise, shall be deemed to have notice of and have irrevocably agreed and consented to these provisions. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. It is possible that a court could find this type of provisions to be inapplicable or unenforceable, and if a court were to find this provision in our current Articles of Association to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could have adverse effect on our business and financial performance.

The Company and each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Stock Exchange that it or he will comply with the Forum Selection Clarification with respect to the Company and its Directors agreeing to submit to the jurisdiction of the court of Hong Kong to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise, upon the Listing and before the existing Articles are formally amended to incorporate the Unmet Articles Requirements. At an extraordinary meeting which we have undertaken to convene within 6 months of Listing, we will seek shareholders' approval to amend our Articles to clarify that (i) the Company, its shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise, and (ii) if a court of the U.S. assumes jurisdiction to hear any proceedings, actions, claims or complaints that rely on the provisions of the U.S. Securities Act or the U.S. Exchange Act, then the federal courts of the U.S. shall have exclusive jurisdiction to hear, settle and/or determine such proceeding, action, claim or complaint to the exclusion of the state courts. Please see "Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company" for further details.

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

The deposit agreement governing our ADSs provides that, to the extent permitted by law, holders of our ADSs waive the right to a jury trial of any claim they may have against us or the depository arising out of or relating to the ADSs or the deposit agreement, including any claim under U.S. federal securities laws. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or

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the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, you cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.

If we or the depositary oppose a jury trial demand based on the above-mentioned jury trial waiver, the court will determine whether the waiver is enforceable in the facts and circumstances of that case in accordance with applicable case law. The deposit agreement governing our ADSs provides that, (i) the deposit agreement and the ADSs will be interpreted in accordance with the laws of the State of New York, and (ii) as an owner of ADSs, you irrevocably agree that any legal action arising out of the deposit agreement and the ADSs involving us or the depositary may only be instituted in a state or federal court in the city of New York. While to our knowledge, the enforceability of a jury trial waiver under the federal securities laws has not been finally adjudicated by a federal court, we believe that a jury trial waiver provision is generally enforceable under the laws of the State of New York by a federal or state court in the City of New York. In determining whether to enforce a jury trial waiver provision, New York courts will consider whether the visibility of the jury trial waiver provision within the agreement is sufficiently prominent such that a party has knowingly waived any right to trial by jury. We believe that this is the case with respect to the deposit agreement and the ADSs. In addition, New York courts will not enforce a jury trial waiver provision in order to bar a viable setoff or counterclaim sounding in fraud or one which is based upon a creditor's negligence in failing to liquidate collateral upon a guarantor's demand, or in the case of an intentional tort claim, none of which we believe are applicable in the case of the deposit agreement or the ADSs. If you or any other holder or beneficial owner of ADSs brings a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us and/or the depositary. If a lawsuit is brought against us and / or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action, depending on, among other things, the nature of the claims, the judge or justice hearing such claims and the venue of the hearing.

Moreover, as the jury trial waiver relates to claims arising out of or relating to the ADSs or the deposit agreement, we believe that, as a matter of construction of the clause, the waiver would likely to continue to apply to ADS holders who withdraw the Class A ordinary shares from the ADS facility with respect to claims arising before the cancelation of the ADSs and the withdrawal of the Class A ordinary shares, and the waiver would most likely not apply to ADS holders who subsequently withdraw the Class A ordinary shares represented by ADSs from the ADS facility with respect to claims arising after the withdrawal. However, to our knowledge, there has been no case law on the applicability of the jury trial waiver to ADS holders who withdraw the Class A ordinary shares represented by the ADSs from the ADS facility.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum and Articles of Association, Cayman Companies Act and the common law of the Cayman Islands.

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The rights of shareholders to take action against the Directors, actions by 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 may be narrower in scope or less developed than they would be under statutes or judicial precedent in some jurisdictions in the U.S. In particular, the Cayman Islands have a less developed body of securities laws than the U.S. and Hong Kong. For example, 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 or a Hong Kong court.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our Directors have discretion under the Memorandum and 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 resolution or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or controlling shareholders than they would as public shareholders of a company incorporated in the U.S. or Hong Kong.

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 U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the U.S. that are applicable to U.S. domestic issuers, including: (i) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q, quarterly certifications by the principal executive and financial officers or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act; (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and (iv) 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 as press releases, distributed pursuant to the rules and regulations of the NYSE. 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. For example, U.S. domestic issuers are required to file annual reports within 60 to 90 days from the end of each fiscal year. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

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We are a “controlled company” as defined under the NYSE Listed Company Manual. As a result, we qualify for, and may rely on, exemptions from certain corporate governance requirements that would otherwise provide protection to shareholders of other companies.

We are a “controlled company” as defined under the NYSE Listed Company Manual because Mr. He, our co-founder, chairman and chief executive officer, holds more than 50% of the aggregate voting power of our company. For so long as we remain a controlled company, we may rely on exemptions from certain corporate governance rules, including (i) the requirement that a majority of the board of directors consist of independent directors, (ii) the requirement that the compensation of our officers be determined or recommended to our Board of Directors by a compensation committee that is comprised solely of independent directors, and (iii) the requirement that director nominees be selected or recommended to the board of directors by a majority of independent directors or a nominating committee comprised solely of independent directors. Currently, we do not plan to utilize the exemptions available for controlled companies, but will rely on the exemption available for foreign private issuers to follow our home country governance practices instead. See “– 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 U.S. domestic public companies.” If we cease to be a foreign private issuer or if we cannot rely on the home country governance practice exemption for any reason, we may decide to invoke the exemptions available for a controlled company as long as we remain a controlled company. As a result, you will not have the same protection afforded to shareholders of companies that are subject to all the NYSE corporate governance requirements.

We are an emerging growth company and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. As a result, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

If we are a passive foreign investment company for United States federal income tax purposes for any taxable year, United States holders of our ADSs or Class A ordinary shares could be subject to adverse United States federal income tax consequences.

A non-United States corporation will be a passive foreign investment company, or PFIC, for United States 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

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non-United States corporation is a PFIC for that year. Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill (which we have determined based on the trading price of our ADSs), we do not believe we were a PFIC for our most recent taxable year, and we do not expect to become a PFIC in the current taxable year or in the foreseeable future, although there can be no assurance in this regard.

It is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. The composition of our assets and income may be affected by how, and how quickly, we use our liquid assets and the cash raised in our initial public offering in the U.S. and the follow-on public offering. Because we have valued our goodwill based on the trading price of our ADSs, a decrease in the price of our ADSs may also result in our becoming a PFIC.

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of our consolidated VIEs. If it is determined, contrary to our view, that we do not own the equity of our consolidated VIEs for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

If we are a PFIC for any taxable year during which a United States person holds ADSs or Class A ordinary shares, certain adverse United States federal income tax consequences could apply to such United States person. For example, if we were a PFIC, our United States investors could become subject to increased tax liabilities under United States federal income tax laws and regulations and would become subject to burdensome reporting requirements.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.

We are an exempted company incorporated in the Cayman Islands, and our ADSs are listed on the NYSE. The NYSE 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, differ significantly from the NYSE corporate governance listing standards.

Among other things, we are not required under the NYSE corporate governance listing standards to: (i) have a majority of the board be independent; (ii) have a compensation committee or a nominating and corporate governance committee consisting entirely of independent directors; (iii) have a minimum of three members on the audit committee; (iv) obtain shareholders' approval for issuance of securities in certain situations; or (v) have regularly scheduled executive sessions with only independent directors each year.

We intend to rely on the first four exemptions described above unless otherwise required under the applicable laws and regulations in Hong Kong (including the Listing Rules) or disclosed in this prospectus. As a result, you may not be provided with the benefits of certain corporate governance requirements of the NYSE.

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The different characteristics of the capital markets in Hong Kong and the U.S. may negatively affect the trading prices of our Class A ordinary shares and/or ADSs.

Upon the Listing, we will be subject to Hong Kong and the NYSE listing and regulatory requirements concurrently. The Stock Exchange and the NYSE have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A ordinary shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of our Class A ordinary shares after the Global Offering.

We adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

In connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules. As a result, we will adopt different practices as to those matters as compared with other companies listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers. For additional information, see “Waivers from Strict Compliance with the Listing Rules.”

For example, the Hong Kong Stock Exchange has allowed us to prepare the accountant’s report of this prospectus in conformity with U.S. GAAP. As a result, the financial information as presented and included in the Accountant’s Report set forth in Appendix I to this prospectus and our other financial information which appears elsewhere in this prospectus was prepared in accordance with U.S. GAAP, which differs in certain significant respects from IFRS. A reconciliation between U.S. GAAP and IFRS is provided and certain differences between U.S. GAAP and IFRS are discussed in “Summary” and Note 33 to the Accountant’s Report in Appendix I to this prospectus. Furthermore, if we are no longer listed on the NYSE, we will be required to revert to HKFRS or IFRS, under which our results of operations and financial position could be materially different. Potential investors should consult their own professional advisors for an understanding of the differences between U.S. GAAP and HKFRS or IFRS, and how those differences might affect the financial information in relation to the Company.

Exchange between our Class A ordinary shares and our ADSs may adversely affect the liquidity and/or trading price of each other.

Our ADSs are currently traded on the NYSE. Subject to compliance with U.S. securities law and the terms of the deposit agreement, holders of our Class A ordinary shares may deposit the Class A ordinary shares with the depositary in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and

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trading price of our Class A ordinary shares on the Stock Exchange and our ADSs on the NYSE may be adversely affected.

The time required for the exchange between Class A ordinary shares and ADSs might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and the exchange of Class A ordinary shares into ADSs involves costs.

There is no direct trading or settlement between the NYSE and the Stock Exchange on which our ADSs and our Class A ordinary shares are respectively traded. In addition, the time differences between Hong Kong and New York, unforeseen market circumstances or other factors may delay the deposit of Class A ordinary shares in exchange of ADSs or the withdrawal of Class A ordinary shares underlying the ADSs. Investors will be prevented from settling or effecting the sale of their securities during such periods of delay. In addition, there is no assurance that any exchange of Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate.

Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including, among others, for the issuance of ADSs upon deposit of Class A ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions and distributions of securities other than ADSs. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

Risks Relating to the Global Offering

An active trading market for our Class A ordinary shares on the Stock Exchange might not develop or be sustained, their trading prices might fluctuate significantly and the effectiveness of the liquidity arrangements might be limited.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Class A ordinary shares on the Stock Exchange will develop or be sustained. The trading price or liquidity for our ADSs on the NYSE might not be indicative of those of our Class A ordinary shares on the Stock Exchange following the completion of the Global Offering. If an active trading market of our Class A ordinary shares on the Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Class A ordinary shares could be materially and adversely affected. As a result, the market price of our Class A ordinary shares in Hong Kong following the completion of the Global Offering might not be indicative of our ADSs on the NYSE, even allowing for currency differences.

Since there will be a gap of several days between pricing and trading of our Class A ordinary shares, the price of our ADSs traded on the NYSE may fall during this period and could result in a fall in the price of our Class A ordinary shares to be traded on the Stock Exchange.

The pricing of the Offer Shares will be determined on the Price Determination Date. However, our Class A ordinary shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Class A ordinary shares during that period. Accordingly, holders of our Class A ordinary shares are subject to the risk that the trading price of our Class A ordinary shares could

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fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as our ADSs will continue to be traded on the NYSE and their price can be volatile, any fall in the price of our ADSs may result in a fall in the price of our Class A ordinary shares to be traded on the Stock Exchange.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our initial public offering in Hong Kong and listing of our Class A ordinary shares on the Stock Exchange.

In connection with our initial public offering of Class A ordinary shares in Hong Kong, or the Hong Kong Public Offering, we will establish a branch register of members in Hong Kong, or the Hong Kong share register. Our Class A ordinary shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Global Offering and those that may be converted from ADSs, will be registered on the Hong Kong share register, and the trading of these Shares on the Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share conversion and trading between the NYSE and the Stock Exchange, we also intend to move a portion of our issued Class A ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller. See “Information about This Prospectus and the Global Offering – Dealings and Settlement of Class A Ordinary Shares in Hong Kong.”

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their common shares, including common shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered common shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our Class A ordinary shares and/or ADSs may be affected.

Purchasers of our Class A ordinary shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Class A ordinary shares in the future.

The initial Public Offer Price of our Class A ordinary shares in Hong Kong is higher than the net tangible assets per Share of the outstanding Shares issued to our existing shareholders immediately prior to the Global Offering. Therefore, purchasers of our Class A ordinary shares in the Global Offering will experience an immediate dilution in terms of the pro forma net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Class A ordinary shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

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There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this prospectus, there may be press and media coverage regarding us and the Listing, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Listing. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only, and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

SHORTER TRADING RECORD PERIOD

Pursuant to Rule 8.05 of the Listing Rules, a new applicant must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3). Each test requires (i) a trading record of not less than three financial years (e.g., Rule 8.05(3)(a)), and (ii) management continuity for at least the three preceding financial years (e.g., Rule 8.05(3)(b)).

Pursuant to Rule 8.05A of the Listing Rules, in the case of the market capitalization/revenue test under Rule 8.05(3), the Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rules 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the Stock Exchange the satisfaction of the following:

- (a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new listing applicant; and
- (b) management continuity for the most recent audited financial year.

Founded in 2015, the Group primarily engages in designing, developing, manufacturing and marketing of Smart EVs in China. In connection with sales and production, the Company started to take in reservations of the first EV model, the G3 in China in April 2018 and started the production and mass delivery of the G3 in November and December 2018, respectively. For the financial year ended December 31, 2018, the Company recorded revenues of RMB9.7 million. As the Company first recorded revenues from vehicle sales in the fourth quarter of 2018 when actual deliveries of Smart EVs occurred, the financial year of 2018 cannot be counted towards the satisfaction of the requirement of an adequate trading record under Rule 8.05.

Accordingly, pursuant to Rule 8.05A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.05(3) of the Listing Rules on the following basis that:

- (a) the executive Directors and senior management of the Company have sufficient and satisfactory experience of at least three years in the line of business and industry of the Company;
- (b) the Company has satisfied management continuity for the most recent audited financial year; and
- (c) the Company has satisfied the other requirements set out in Rule 8.05(3) of the Listing Rules, namely, ownership continuity and control requirement, market capitalization requirement and revenue requirement.

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WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, all applicants applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of an applicant's executive directors must be ordinarily resident in Hong Kong.

The Group is a smart electric vehicle company in China. As disclosed in the prospectus, the headquarters and its business operations are based, managed and conducted in the PRC. Currently, all of the executive Directors (save for Hongdi Brian Gu, who resides in Hong Kong and will be resigning from his directorship with effect from Listing) ordinarily reside in the PRC where they manage the Group's business operations from the PRC. As these executive Directors play very important roles in our Company's business operations, the Company considers that it is in the best interests of the Company for them to be based in the places where the Group has significant operations.

As such, the Company does not, and will not for the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules. The Company will adopt the following arrangements in order to maintain regular communication with the Stock Exchange:

- (1) both of our authorized representatives, namely Mr. Xiaopeng He and Ms. Ming Wai Mok (who is ordinarily resident in Hong Kong), will act as our principal channel of communication with the Stock Exchange. Each of our authorized representatives can be readily contactable by the Stock Exchange by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange and can meet with the Stock Exchange to discuss any matters within a reasonable period of time upon request of the Stock Exchange. Mr. Yeqing Zheng, the other of our joint company secretaries, has also been appointed as an alternate authorized representative of the Company;
- (2) each of our authorized representatives has means to contact all the Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter;
- (3) each Director has provided his or her phone number, e-mail address and facsimile number (if available) to each of our authorized representatives and the Stock Exchange;
- (4) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange; and
- (5) we have appointed Guotai Junan Capital Limited pursuant to Rules 3A.19 and 8A.33 of the Listing Rules to act as our compliance adviser, who will act as our additional channel of communication with the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO JOINT COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that the issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the secretary of the issuer must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- length of employment with the issuer and other issuers and the roles he or she played;
- familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Codes on Takeovers and Mergers and Share Buy-backs;
- relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- professional qualifications in other jurisdictions.

In the Guidance Letter HKEX-GL-108-20, the Stock Exchange stated that it has in the past granted waivers to issuers proposing to appoint a company secretary who does not have the qualification and experience required under Rule 3.28 of the Listing Rules for a specified period. In considering waiver applications under Rule 3.28 of the Listing Rules, it will consider, among others, the following factors:

- whether the issuer has principal business activities primarily outside Hong Kong;
- whether the issuer was able to demonstrate the need to appoint a person who does not have the acceptable qualification nor “relevant experience” as a company secretary; and
- why the directors consider the individual to be suitable to act as the issuer’s company secretary.

The Stock Exchange stated that a waiver under Rule 3.28 of the Listing Rules, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Further, the length of the waiver period will depend on the following factors but in any case, will not exceed three years as the proposed company secretary is expected to have acquired the relevant qualification or experience required under Rule 3.28 of the Listing Rules within such period:

- the proposed company secretary's experience in handling company secretarial matters and his/her relevant professional qualifications and/ or academic background;
- the measures and systems in place to facilitate the proposed company secretary in discharging his/ her duties as a company secretary; and
- the issuer's regulatory compliance and/ or material deficiencies/ weaknesses in internal controls.

Circumstances of the Company and the Proposed Joint Company Secretaries

The Company has appointed Mr. Yeqing Zheng (“**Mr. Zheng**”) and Ms. Ming Wai Mok (“**Ms. Mok**”) of Tricor Services Limited as the joint company secretaries of the Company. The Company is of the view that with the assistance of Ms. Mok, Mr. Zheng is capable of discharging the functions of a company secretary of the Company.

The Company has principal business activities primarily outside Hong Kong. It is established under the laws of the Cayman Islands, listed on the NYSE, and a significant part of its business operations are conducted in the PRC. The Directors of the Company believe that its company secretary should, apart from being able to meet the professional qualifications or the relevant experience requirements under the Listing Rules, have sufficient knowledge of (a) the operations and the business of the Group and the Group's corporate culture; and (b) the regulatory requirements in the PRC and in the U.S.

Mr. Zheng as the international general counsel and the compliance officer of the Group, is responsible for overseeing the cross-border matters and compliance matters of the Company. His biographical details are set out in the section headed “Directors and Senior Management” in the prospectus. Although Mr. Zheng does not possess the qualifications set out in Note 1 to Rule 3.28 of the Listing Rules nor the “relevant experience” set out in Note 2 to Rule 3.28 of the Listing Rules, the Directors consider Mr. Zheng to be suitable to act as one of the Company's company secretaries due to his past work experience in the Group and his understanding of the internal administration and business operations of the Group. Further, as the international general counsel and the compliance officer, he has a close nexus and working relationship with other directors and the management team of the Company, and will be able to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. Moreover, Mr. Zheng was admitted to the New York Bar in 2010, and has over 10 years of work experience in the legal field.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zheng may be appointed as a joint company secretary of our Company for an initial period of three years on the condition that the waiver can be revoked immediately if there are any material breaches of the Listing Rules by the Company or if Ms. Mok ceases to provide assistance to Mr. Zheng during the period of three years from the Listing Date.

In order to provide support for Mr. Zheng on an ongoing basis, the Company has appointed Ms. Mok, as a joint company secretary taking effect before Listing so as to enable Mr. Zheng to acquire the relevant

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experience (as required under Note 2 to Rule 3.28 of the Listing Rules) and to duly discharge the functions of a company secretary of a listed issuer.

As shown from Ms. Mok's biographical information set out in the section headed "Directors and Senior Management" in the prospectus, Ms. Mok is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) and she meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Ms. Mok is, in the Company's opinion, a suitably qualified person to render assistance to Mr. Zheng so as to enable Mr. Zheng to acquire the "relevant experience" as is required of a company secretary under Note 2 to Rule 3.28 of the Listing Rules. Further, pursuant to Rule 3.29 of the Listing Rules, Mr. Zheng and Ms. Mok will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other regulatory requirements of Hong Kong.

Over a period of three years from the Listing, our Company proposes to implement the following measures to assist Mr. Zheng to obtain the requisite qualifications as required under the Listing Rules:

- Ms. Mok will assist and guide Mr. Zheng in his discharge of duties as a joint company secretary and in gaining the relevant experience as required by the Listing Rules;
- as one of our Company's principal channels of communication with the Stock Exchange, Ms. Mok is expected to work closely with Mr. Zheng in respect of any communications with the Stock Exchange;
- Mr. Zheng will be the contact person within our Company with Ms. Mok in compliance with Code Provision F.1.1 of Appendix 14 of the Listing Rules; and
- our Company will procure Mr. Zheng to have access to relevant professional trainings so as to enable him to familiarize himself with the Listing Rules and other relevant law and regulations and the responsibilities of a company secretary of a company listed on the Stock Exchange.

Before expiry of the three-year period, the Company will liaise with the Stock Exchange to enable it to assess whether Mr. Zheng will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

In addition, the Company has appointed Guotai Junan Capital Limited as its compliance adviser under Rule 3A.19 of the Listing Rules and in accordance with Rules 8A.33 and 8A.34 of the Listing Rules, to provide the Company with professional advice on continuing obligations under the Listing Rules and to act as an additional channel of communication with the Stock Exchange. Mr. Zheng will have access to such compliance adviser, which will provide him with an additional source of guidance to assist him to familiarize himself with the functions of a company secretary of a company listed on the Stock Exchange.

USE OF U.S. GAAP

Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of Appendix 16 to, the Listing Rules require the Company to prepare its financial statements in the prospectus and the subsequent financial reports issued

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after listing to be in conformity with: (a) HKFRS; (b) IFRS; or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China.

As a company listed on the NYSE, the Company uses U.S. GAAP and the corresponding auditing standards for the filing of its financial statements with the U.S. Securities and Exchange Commission as determined by the United States Public Company Accounting Oversight Board. U.S. GAAP is well recognized and accepted by the international investment community, and significant progress has been made in the convergence between U.S. GAAP and IFRS. Since the Company is listed on the NYSE, its exposure to foreign investors are much greater compared to issuers which are listed on the Stock Exchange only. Additionally, we note that it might lead to confusion among the Company's potential investors and shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. and aligning the accountings standards used for disclosures in both markets will alleviate any such potential confusion. Adoption of U.S. GAAP for the preparation of financial statements of the Group will also allow potential investors and shareholders to compare the results of the Group against its peers listed in overseas stock markets which use U.S. GAAP for the preparation of their financial statements more easily.

Our Company has applied to the Hong Kong Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.10 and 4.11 and note 2.1 to paragraph 2 of the Appendix 16 of the Listing Rules subject to the following conditions:

- (a) the Company will include adequate disclosure, including (a) a description of the relevant key differences between U.S. GAAP and IFRS; and (b) the reconciliation statement (the **"Reconciliation Statement"**) in the Company's accountant's report of the prospectus and annual reports after the proposed Listing, and such reconciliation statement will be audited by its external accountants;
- (b) after the Listing, the Company will include in the Company's interim reports a Reconciliation Statement which will be reviewed by its external accountant in accordance with a standard that is at least equivalent to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000; and
- (c) if the Company is no longer listed in the U.S. or is not obliged to make financial disclosure in the U.S., the Company will adopt either HKFRS or IFRS in the preparation of the Company's financial statements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap set out in Chapter 14A of the Listing Rules for certain continuing connected transactions; and (iii) the requirement of limiting the term of certain continuing connected transactions to three years or less under Rule 14A.52 of

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the Listing Rules. For further details in this respect, see the section headed “Connected Transactions” in this prospectus.

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO THE CHANGE IN THE SHARE CAPITAL

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the group within the two years immediately preceding the issue of this prospectus.

The Company has identified 19 entities that the Company considers are the major subsidiaries and variable interest entities primarily responsible for the track record results of the Group (the “**Principal Entities**”, and each a “**Principal Entity**”). For further details, please see the section headed “History and Corporate Structure – Our Major Subsidiaries and Operating Entities” in the prospectus. As at the Latest Practicable Date, the Company has approximately 180 subsidiaries, branches and partnerships and two consolidated variable interest entities and these consolidated variable interest entities have 16 branches in aggregate. It would be unduly burdensome for the Company to disclose this information, which would not be material or meaningful to investors. The Principal Entities include, amongst others, all significant members of the Group under the financial threshold of Regulation S-X in the US (i.e., contributing more than 10% of the Group’s total assets or income before income taxes). By way of illustration, after intercompany eliminations, the audited aggregate revenue and total assets of the Principal Entities in respect of which the relevant information is disclosed represents over 64% and 39% of the Group’s total revenue and total assets for the year ended December 31, 2020, respectively and the audited aggregate revenue and total assets of the Principal Entities and the Company represents over 64% and 97% of our Group’s total revenue and total assets for the year ended December 31, 2020, respectively. Principal Entities and the Company hold all material assets, material intellectual property rights, other material proprietary technologies and material research and development functions of the Group as of March 31, 2021. The remaining entities in the Group are insignificant to the overall results of the Group and none of the non-Principal Entities hold any material assets, material intellectual property rights, other material proprietary technologies and material research and development functions of the Group as of March 31, 2021. The Company confirms that the revenue contribution of the non-Principal Entities are individually insignificant to the Group.

As such, particulars of the changes in the share capital of our Company and the Principal Entities are disclosed in the sections headed “History and Corporate Structure – Shareholding changes of our Company and our major operating subsidiaries and Variable Interest Entities” and “Statutory and General Information – A. Further information about our Company and our subsidiaries and Variable Interest Entities – 3. Changes in the share capital of our major operating subsidiaries and Variable Interest Entities” in Appendix IV.

WAIVER APPLICATION WITH RESPECT TO SUBSCRIPTION FOR SHARES AT IPO BY EXISTING SHAREHOLDERS

Rule 2.03(2) of the Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

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Rule 10.04 of the Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows:

- (a) that no securities are offered to the purchasers on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (b) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

The Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Stock Exchange will consider granting a waiver from Rule 10.04 and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules allowing an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

As a company listed on the NYSE, the Company has a diverse shareholder base. Its ADSs are widely held as demonstrated by the trading volume which averaged 30.42 million ADSs per trading day during the fourth quarter of 2020. The composition of the Company's shareholders change every trading day and it is unrealistic for the Company to keep track of the identity of all its shareholders accurately. It would be unduly burdensome for the Company to seek the prior consent of the Stock Exchange for each of the existing shareholders or their close associates who subscribe for shares in the Global Offering.

The Company confirms that any person (whether or not an existing shareholder of the Company) who may, as a result of dealings, become the Company's shareholder and who is not a director or chief executive of the Company or its subsidiaries, or any of their close associates (the **"Permitted Existing Shareholders"**), has no influence over the Global Offering and is not in possession of any non-public inside information and are effectively in the same position as any other public investors of the Company. For the avoidance of doubt, Permitted Existing Shareholders exclude 5Y Capital Entities, GGV Entities and IDG Entity.

As at the Latest Practicable Date, other than Taobao China, the Company had no shareholder who was not a director and who controlled 5% or more of the Company's voting rights.

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The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 and paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the restriction on each Permitted Existing Shareholder on the following grounds which are consistent with the conditions set out in the Stock Exchange Guidance Letter HKEX-GL85-16:

- (a) The Joint Sponsors will confirm that:
 - (i) each Permitted Existing Shareholder is interested in less than 5% of the Company's voting rights immediately before the Listing;
 - (ii) each Permitted Existing Shareholder is not a core connected person of the Company;
 - (iii) the Permitted Existing Shareholders do not have the power to appoint directors of, or any other special rights in, the Company;
 - (iv) allocation to the Permitted Existing Shareholders will not affect the Company's ability to satisfy the public float requirement; and
 - (v) in writing to the Stock Exchange, that based on (i) their discussions with the Company and the Joint Bookrunners; and (ii) the confirmations by the Company and by the Joint Bookrunners (see paragraphs below), and to the best of their knowledge and belief, they have no reason to believe that the Permitted Existing Shareholders have received any preferential treatment in the allocation process either as a cornerstone investor or as a placee by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in the prospectus (in the case of cornerstone investor) and/ or the allotment results announcement (in the case of placee subject to the exception discussed below), as the case may be;
- (b) the Company will confirm in writing to the Stock Exchange that:
 - (i) in the case of participation as a cornerstone investor, no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13, that the Permitted Existing Shareholders' cornerstone investment agreement does not contain any material terms which are more favorable to the Permitted Existing Shareholders than those in other cornerstone investment agreements; or
 - (ii) in the case of participation as a placee, no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders by virtue of their relationship with the Company in any allocation in the placing tranche; and
- (c) the Joint Bookrunners will confirm in writing to the Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be given to the Permitted

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Existing Shareholders by virtue of their relationship with the Company in any allocation in the placing tranche.

The Company expects to satisfy all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 so that no actual or perceived preference will be given to the Permitted Existing Shareholders due to their existing shareholdings in the Company.

For the avoidance of doubt, allocation to the Permitted Existing Shareholders will not be disclosed in the allotment results announcement (other than to the extent that such Permitted Existing Shareholders subscribe for shares as cornerstone investors) unless such Permitted Existing Shareholders are interested in 5% or more of the issued share capital after the Global Offering as disclosed in any public filings with the SEC. This is because it would be unduly burdensome for the Company to identify, ascertain and disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Securities Exchange Act of 1934 unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Securities Exchange Act of 1934.

WAIVER IN RESPECT OF RESTRICTIONS ON DEALINGS IN SECURITIES BY CORE CONNECTED PERSONS DURING THE LISTING APPLICATION PROCESS

Rule 9.09(b) of the Listing Rules requires that, in the case of a new applicant, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer (except as permitted by Rule 7.11 of the Listing Rules) from four clear business days before the expected hearing date until listing is granted (“**Relevant Period**”).

As a company listed on the NYSE, the Company has a diverse shareholder base. Its ADSs are widely held as demonstrated by the trading volume which averaged 30.42 million ADSs per trading day during the fourth quarter of 2020.

As at the Latest Practicable Date, the Company has approximately 180 subsidiaries, branches and partnerships and two consolidated variable interest entities and these consolidated variable interest entities have 16 branches in aggregate.

As at the Latest Practicable Date, there are two shareholders who hold more than 10% of the total issued share capital of the Company. They are:

- (a) Mr. Xiaopeng He, the co-founder, director, chairman and chief executive officer of the Group that is deemed to be the beneficial owner of (i) 327,708,257 Class B ordinary shares held by Simplicity Holding Limited, and (ii) 21,000,000 Class B ordinary shares held by Respect Holding Limited, which in the aggregate represents 21.7% of the total issued share capital of the Company and 56.3% of the voting power of the total issued and outstanding share capital of the Company; and
- (b) Alibaba Group Holding Limited, a company listed on the NYSE and the Stock Exchange, is deemed to be the beneficial owner of (i) 178,618,464 Class C ordinary shares held by Taobao

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China, and (ii) 13,300,000 Class A ordinary shares represented by ADSs owned by Taobao China, which in the aggregate represents 11.9% of the total issued share capital of the Company and 14.6% of the voting power of the total issued and outstanding share capital of the Company.

As at the Latest Practicable Date, based on public filings with the SEC, there are three directors (other than Mr. Xiaopeng He) who hold more than 1% of the total issued share capital of the Company. They are:

- (a) Mr. Heng Xia, co-founder, director and president of the Group, is deemed to be the beneficial owner of 12,580 Class A ordinary shares and 61,137,879 Class B ordinary shares held by Efficiency Investment Limited, which in the aggregate represents approximately 3.8% of the total issued share capital of the Company and approximately 9.9% of the voting power of the total issued and outstanding share capital of the Company;
- (b) Mr. Hongdi Brian Gu, the vice-chairman, director and president of the Group, is deemed to be the beneficial owner of 32,493,960 Class A ordinary shares directly and/ or indirectly held by Quack Holding Limited, and he holds 6,036,778 Class A ordinary shares of the Company, which in the aggregate represents approximately 2.4% of the total issued share capital of the Company and less than 1.0% of the voting power of the total issued and outstanding share capital of the Company; and
- (c) Mr. Tao He, the co-founder, director and senior vice president of the Group, is deemed to be the beneficial owner of 12,580 Class A ordinary shares and 20,000,000 Class B ordinary shares held by Quality Enterprises Limited, which in the aggregate represents approximately 1.2% of the total issued share capital of the Company and 3.2% of the voting power of the total issued and outstanding share capital of the Company.

As the ADSs of the Company are widely held, publicly traded and listed on the NYSE, the Company is not in a position to control the investment decision of its shareholders or the investing public. Further, as a company whose securities are listed and traded in the U.S., the Company notes that it is a common practice for substantial shareholders and corporate insiders, including directors, chief executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934 (the “**Rule 10b5-1 Plans**”) to buy or sell the company’s securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a valid Rule 10b5-1 Plan are generally viewed to have a defense against insider trading allegations under U.S. securities law.

The Company note that its shareholders may also from time to time use their shares as security in connection with financing activities.

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We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in the following aspects:

- (a) during the Relevant Period, Category 1 of the Permitted Persons (as defined below) be at liberty to use their shares as security for any financing facilities, subject to a retention of beneficial ownership of the shares or having an equity of redemption¹;
- (b) during the Relevant Period, dealings pursuant to Rule 10b5-1 Plans by Category 1 of the Permitted Persons (as defined below) through their brokers be permitted on condition that the Rule 10b5-1 Plans are set up before the Relevant Period and the relevant person of Category 1 of the Permitted Persons is not aware of any material non-public information when the plan was entered into and he or she does not have any subsequent influence over how, when, or whether to effect those purchases or sales by the broker; and
- (c) during the Relevant Period, any dealings by Category 2 of the Permitted Persons (as defined below), who will not have any influence over the global offering and do not possess any non-public inside information of the Group, be permitted.

The waiver from strict compliance with Rule 9.09(b) of the Listing Rules is subject to the following conditions:

- (a) the Company will promptly release any inside information to the public in the U.S. and Hong Kong in accordance with the applicable laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 (as defined below)) will not be in possession of any non-public inside information of which the Company and its senior management are aware and will not have any influence over the Global Offering;
- (b) the Company will notify the Stock Exchange of any breaches of the dealing restrictions by any of the core connected persons during the Relevant Period if it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons (as defined below) within the permitted scopes set out here; and
- (c) during the Relevant Period, other than within the permitted scopes set out here, the Company's directors and chief executives and the directors and chief executives of its subsidiaries and operating entities (operating entities refer to variable interest entities and their subsidiaries) and their close associates will not deal in the shares or the ADSs provided that such prohibited dealing in the shares shall not include the granting, vesting, payment or exercise (as applicable) of RSUs, restricted shares, dividend equivalents, share appreciation right and share payments under the Group's share incentive plan.

The following categories of persons, collectively, are the **"Permitted Persons"**:

"Category 1" means the following persons:

- (a) Mr. Xiaopeng He and Alibaba Group Holding Limited;

¹ **"Equity of redemption"** means the right in equity which a chargor has on full repayment of the secured debt, to recover the assets which are subject to the charge.

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- (b) Mr. Heng Xia, Mr. Hongdi Brian Gu and Mr. Tao He; and
- (c) the directors and chief executives of our subsidiaries and operating entities (operating entities refer to variable interest entities and their subsidiaries).

“**Category 2**” means any other person (whether or not an existing shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates.

For the avoidance of doubt,

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the shares will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest during the Relevant Period is not within the scope of Rule 9.09(b) of the Listing Rules;
- (b) persons in Category 1 who deal or use their respective shares other than as described above are subject to the restrictions under Rule 9.09(b) of the Listing Rules;
- (c) dealing or use of its respective shares by IDG Entity is not subject to the restrictions under Rule 9.09(b) of the Listing Rules so long as IDG Entity is not considered as a close associate of Mr. Fei Yang; and
- (d) dealing of shares by XPeng Fortune for the purpose of implementing the 2019 Equity Incentive Plan is not subject to the restrictions under Rule 9.09(b) so long as XPeng Fortune is not considered as a close associate of Mr. He.

WAIVER WITH RESPECT TO ARTICLES OF ASSOCIATION OF THE COMPANY

Appendix 3 and part B of Appendix 13 to the Listing Rules state that the articles of association or equivalent document of the issuer must conform with the provisions set out in such appendices.

Rule 8A.44 of the Listing Rules requires issuers with WVR structures such as the Company to give force to the requirements of Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document (together with the requirements under Appendix 3 and Appendix 13 to the Listing Rules, the “**Listing Rules Articles Requirements**”).

The Company’s Memorandum and Articles do not comply with some of the Listing Rules Articles Requirements, namely (i) paragraphs 1(2), 2(1), 2(2), 4(1), 4(2), 4(4), 4(5), 5, 7(2), 7(3), 8(1), 8(2), 10(2), 11(1), 12, 13 and 14 of Appendix 3 to the Listing Rules, (ii) paragraphs 1, 2(1), 2(2), 3(1), 3(2), 3(3), 4(1), 4(2), 5(2), 5(3), 5(4) and 6 of part B of Appendix 13 to the Listing Rules, and (iii) Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28,

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8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 of the Listing Rules (together, the “**Unmet Listing Rules Articles Requirements**”). The Company will seek shareholders’ approval to incorporate the Unmet Listing Rules Articles Requirements into its Memorandum and Articles in an extraordinary general meeting to be convened within 6 months of Listing (the “**2021 EGM**”).

The Company’s Articles will be amended to incorporate the following Unmet Listing Rules Articles Requirements:

- (1) That fully-paid shares shall be free from any restriction on the right of transfer (except when permitted by the Stock Exchange) and shall also be free from all lien (paragraph 1(2) of Appendix 3);
- (2) That all certificates for capital must be under seal, which may only be affixed with the authority of the directors, or be executed under signature of appropriate officials with statutory authority (paragraph 2(1) of Appendix 3);
- (3) Where power is taken to issue share warrants to bearer, that no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed (paragraph 2(2) of Appendix 3);
- (4) No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company (paragraph 12 of Appendix 3);
- (5) That where power is taken to cease sending dividend warrants by post, if such warrants have been left uncashed, it will not be exercised until such warrants have been so left uncashed on two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered (paragraph 13(1) of Appendix 3);
- (6) That where power is taken to sell the shares of a member who is untraceable it will not be exercised unless: (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and (b) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Stock Exchange of such intention (paragraph 13(2) of Appendix 3);
- (7) That, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14 of Appendix 3);
- (8) The articles of association shall define “special resolution” to mean a resolution passed by members holding three-fourths of the voting rights of those present and voting in person or by proxy at a meeting of members (paragraph 1 of Part B of Appendix 13);

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- (9) The articles of association shall provide that if a recognized clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance is a member of the company it may authorize such person or persons as it thinks fit to act as its representative or representatives at any meeting of the company or at any meeting of any class of members of the company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholder of the company (paragraph 6 of Part B of Appendix 13);
- (10) The articles of association shall stipulate that if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied only with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. The articles of association shall provide that to every such separate general meeting the provisions of the articles of association relating to general meetings shall mutatis mutandis apply, but the articles of association may vary the quorum provisions relevant to any such meeting (paragraph 2(1) of Part B of Appendix 13);
- (11) The articles of association shall stipulate that any annual general meeting must be called by notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by notice of at least 14 days. The articles of association shall stipulate that the notice convening a meeting shall contain particulars of the resolutions to be considered at that meeting (paragraph 3(1) of Part B of Appendix 13);
- (12) The articles of association shall provide for the branch register of members in Hong Kong to be open for inspection by members but may permit the company to close the register in terms equivalent to section 632 of the Companies Ordinance (paragraph 3(2) of Part B of Appendix 13);
- (13) That, where the issuer has the power to purchase for redemption a redeemable share:
(1) purchases not made through the market or by tender shall be limited to a maximum price;
and (2) if purchases are by tender, tenders shall be available to all shareholders alike (paragraphs 8(1) and 8(2) of Appendix 3);
- (14) The articles of association shall require an annual general meeting to be held in each year and shall provide that the audited accounts shall be sent to members at the same time as the notice of annual general meeting (paragraph 3(3) of Part B of Appendix 13) *(Note: For the avoidance of doubt, notwithstanding the foregoing, the Company will not hold an annual general meeting in 2021)*;

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- (15) That a copy of either (i) the directors' report, accompanied by the balance sheets (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account, or (ii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member (paragraph 5 of Appendix 3);
- (16) That an overseas issuer whose primary listing is or is to be on the Stock Exchange shall give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice (paragraph 7(2) of Appendix 3) and that there is no prohibition on the giving of notice to members whose registered address is outside Hong Kong (paragraph 7(3) of Appendix 3);
- (17) The articles of association shall provide that every member shall be entitled to appoint a proxy who need not necessarily be a member of the issuer and that every shareholder being a corporation shall be entitled to appoint a representative to attend any general meeting of the issuer and, where a corporation is so represented, it shall be treated as being present at any meeting in person (paragraph 2(2) of Part B of Appendix 13);
- (18) That where provision is made in the articles as to the form of proxy, this must be so worded as not to preclude the use of the two-way form (paragraph 11(1) of Appendix 3);
- (19) The articles of association shall require the issuer to keep proper books of account necessary to give a true and fair view of the issuer's affairs (paragraph 4(1) of Part B of Appendix 13);
- (20) The articles of association shall provide that accounts shall be audited and shall be laid before members at the annual general meeting which must be held in each year; not more than 15 months (or such longer period as the Stock Exchange may authorize) may elapse between the date of one annual general meeting and the next (paragraph 4(2) of Part B of Appendix 13) *(Note: For the avoidance of doubt, notwithstanding the foregoing, the Company will not hold an annual general meeting in 2021)*;
- (21) The articles of association shall restrict the making of loans to directors and their close associates and shall import provisions at least equivalent to the provisions of Hong Kong law prevailing at the time of the adoption of the articles of association (paragraph 5(2) of Part B of Appendix 13);
- (22) That any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of the issuer, and shall then be eligible for re-election (paragraph 4(2) of Appendix 3);
- (23) That the minimum length of the period, during which notice to the issuer of the intention to propose a person for election as a director and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least 7 days (paragraph 4(4) of Appendix 3) and that the period for lodgment of the notices referred to above will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such

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- election and end no later than 7 days prior to the date of such meeting (paragraph 4(5) of Appendix 3);
- (24) That, subject to such exceptions specified in the articles of association as the Stock Exchange may approve, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting (subject to exceptions provided for under Note 1 to paragraph 4(1) of Appendix 3) (paragraph 4(1) of Appendix 3) and the articles of association shall contain provisions requiring the directors to declare their material interests in any contracts with the issuer at the earliest meeting of the board of directors of the issuer at which it is practicable for them to do so either specifically or by way of a general notice stating that, by reason of facts specified in the notice, they are to be regarded as interested in any contracts of a specified description which may subsequently be made by the issuer (paragraph 5(3) of Part B of Appendix 13);
- (25) The articles of association shall stipulate that the issuer in general meeting must approve the payment to any director or past director of any sum by way of compensation for loss of office or as consideration or in connection with his retirement from office (not being a payment to which the director is contractually entitled) (paragraph 5(4) of Part B of Appendix 13);
- (26) Non-WVR shareholders must be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings (Rule 8A.09 of the Listing Rules) and a listed issuer must not increase the proportion of shares that carry weighted voting rights above the proportion in issue at the time of listing (Rule 8A.13 of the Listing Rules);
- (27) A listed issuer with a WVR structure may only allot, issue or grant shares carrying weighted voting rights with the prior approval of the Stock Exchange and pursuant to (1) an offer made to all the issuer's shareholders pro rata (apart from fractional entitlements) to their existing holdings; (2) a pro rata issue of securities to all the issuer's shareholders by way of scrip dividends; or (3) pursuant to a stock split or other capital reorganization provided that the Stock Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of shares carrying weighted voting rights (Rule 8A.14 of the Listing Rules):
- (i) if, under a pro rata offer, beneficiaries of weighted voting rights do not take up any part of the shares carrying weighted voting rights (or rights to those shares) offered to them, those shares (or rights) not taken up could only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of ordinary shares (Note 1 to Rule 8A.14 of the Listing Rules);
 - (ii) to the extent that rights in a listed issuer's shares not carrying weighted voting rights in a pro rata offer are not taken up in their entirety (e.g. in the case where the pro rata offering is not fully underwritten), the number of the listed issuer's shares carrying weighted voting rights that can be allotted, issued or granted must be reduced proportionately (Note 2 to Rule 8A.14 of the Listing Rules); and
 - (iii) where necessary, beneficiaries of weighted voting rights must use their best endeavors to enable the issuer to comply with Rule 8A.14 (Note 3 to Rule 8A.14 of the Listing Rules);

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- (28) If a listed issuer with a WVR structure reduces the number of its shares in issue (e.g. through a purchase of its own shares) the beneficiaries of weighted voting rights must reduce their weighted voting rights in the issuer proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the listed issuer's shares that carry weighted voting rights (Rule 8A.15 of the Listing Rules);
- (29) After listing, a listed issuer with a WVR structure must not change the terms of a class of its shares carrying weighted voting rights to increase the weighted voting rights attached to that class (Rule 8A.16 of the Listing Rules);
- (30) The following requirements regarding the Class B ordinary shares under the Listing Rules:
- (i) the beneficiary's weighted voting rights in a listed issuer must cease if, at any time after listing, the beneficiary is: (1) deceased; (2) no longer a member of the issuer's board of directors; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his or her duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules (Rule 8A.17 of the Listing Rules). The Stock Exchange would deem a beneficiary of weighted voting rights to no longer meet the requirements of a director if, for the following reasons, the Stock Exchange believed the person no longer has the character and integrity commensurate with the position:
 - (a) the beneficiary is or has been convicted of an offence involving a finding that the beneficiary acted fraudulently or dishonestly;
 - (b) a disqualification order is made by a court or tribunal of competent jurisdiction against the beneficiary; or
 - (c) the beneficiary is found by the Stock Exchange to have failed to comply with the requirement of Rules 8A.15, 8A.18 or 8A.24 (Note 1 to Rule 8A.17 of the Listing Rules);
 - (ii) The dealing restrictions of Rule 10.06(2), the issue restrictions of Rule 10.06(3) and the director dealing restrictions under Appendix 10 do not apply where the dealing or issue is solely to facilitate the conversion of shares carrying weighted voting rights into ordinary shares to comply with Rule 8A.17 (Note 2 to Rule 8A.17 of the Listing Rules);
 - (iii) the weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in, those shares or the control over the voting rights attached to them (through voting proxies or otherwise) (Rule 8A.18(1) of the Listing Rules) but a limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a

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circumvention of Rule 8A.18(1) of the Listing Rules (Rule 8A.18(2) of the Listing Rules). The Stock Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of Rule 8A.18 on condition that this does not result in the transfer of legal title to or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise) (Note 1 to Rule 8A.18 of the Listing Rules) and the Stock Exchange would consider a transfer to have occurred under Rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder (Note 2 to Rule 8A.18 of the Listing Rules); and

- (iv) if a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules, the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Stock Exchange as soon as practicable with details of the non-compliance (Rule 8A.19 of the Listing Rules);
- (31) That, where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting" (paragraph 10(2) of Appendix 3);
- (32) A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights (Rule 8A.22 of the Listing Rules);
- (33) Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer (Rule 8A.23 of the Listing Rules);
- (34) Any weighted voting rights attached to any class of shares in a listed issuer must be disregarded and must not entitle the beneficiary to more than one vote per share on any resolution to approve the following matters: (1) changes to the listed issuer's constitutional documents, however framed; (2) variation of rights attached to any class of shares; (3) the appointment or removal of an independent non-executive director; (4) the appointment or removal of auditors; and (5) the voluntary winding-up of the listed issuer (Rule 8A.24 of the Listing Rules);
- (35) The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in Code Provisions A.6.2, A.6.7 and A.6.8 of Appendix 14 to the Listing Rules (Rule 8A.26 of the Listing Rules);
- (36) Issuers with a WVR structure must establish a nomination committee that complies with Section A5 of Appendix 14 of the Listing Rules (Rule 8A.27 of the Listing Rules);
- (37) The nomination committee established under Rule 8A.27 of the Listing Rules must be chaired by an independent non-executive director (Rule 8A.28 of the Listing Rules);

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- (38) The independent non-executive directors of an issuer with a WVR structure must be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Listing Rules);
- (39) An issuer with a WVR structure must establish a corporate governance committee with at least the terms of reference set out in Code Provision D.3.1 of Appendix 14 to the Listing Rules, and the following additional terms:
- (i) to review and monitor whether the listed issuer is operated and managed for the benefit of all its shareholders;
 - (ii) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
 - (iii) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
 - (iv) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;
 - (v) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
 - (vi) to make a recommendation to the board as to the appointment or removal of the compliance adviser;
 - (vii) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
 - (viii) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
 - (ix) to disclose, on a comply or explain basis, its recommendations to the board in respect of the matters in sub-paragraphs (iv) to (vi) above in the report referred to in sub-paragraph (viii) above (Rule 8A.30 of the Listing Rules);
- (40) The corporate governance committee must be comprised entirely of independent non-executive directors, one of whom must act as the chairman (Rule 8A.31 of the Listing Rules);

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- (41) The corporate governance report produced by a listed issuer with a WVR structure to comply with Appendix 14 of the Listing Rules must include a summary of the work of the corporate governance committee, with regards to its terms of reference, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible (Rule 8A.32 of the Listing Rules);
- (42) Rule 3A.19 of the Listing Rules is modified to require an issuer with a WVR structure to appoint a compliance adviser on a permanent basis commencing on the date of the issuer's initial listing (Rule 8A.33 of the Listing Rules);
- (43) An issuer must consult with and, if necessary, seek advice from its compliance adviser, on a timely and ongoing basis in the circumstances set out in Rule 3A.23 of the Listing Rules and also on any matters related to: (1) the WVR structure; (2) transactions in which any beneficiary of weighted voting rights in the issuer has an interest; and (3) where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on one hand and any beneficiary of weighted voting rights in the issuer on the other (Rules 8A.34 and 3A.23 of the Listing Rules);
- (44) An issuer with a WVR structure must comply with Section E "Communication with Shareholders" of Appendix 14 of the Listing Rules (Rule 8A.35 of the Listing Rules);
- (45) An issuer with a WVR structure must include the warning "A company controlled through weighted voting rights" on the front page of all listing documents, periodic financial reports, circulars, notifications and announcements required by the Listing Rules and describe the WVR structure, the issuer's rationale for having it and the associated risks for shareholders prominently in its listing documents and periodic financial reports. This warning statement must inform prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Listing Rules);
- (46) The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning "A company controlled through weighted voting rights" (Rule 8A.38 of the Listing Rules);
- (47) An issuer with a WVR structure must (i) identify the beneficiaries of weighted voting rights in its listing documents and in its interim and annual reports (Rule 8A.39 of the Listing Rules); (ii) disclose the impact of a potential conversion of WVR shares into ordinary shares on its share capital in its listing documents and in its interim and annual reports (Rule 8A.40 of the Listing Rules); and (iii) disclose in its listing documents and in its interim and annual reports all circumstances in which the weighted voting rights attached to its shares will cease (Rule 8A.41 of the Listing Rules);
- (48) Subject to the requirement of Rule 8A.24, a WVR structure must attach weighted voting rights only to a class of an issuer's equity securities and confer on a beneficiary enhanced voting

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power on resolutions tabled at the issuer's general meetings only. In all other respects, the rights attached to a class of equity securities conferring weighted voting rights must otherwise be the same as the rights attached to the issuer's listed ordinary shares (Rule 8A.07 of the Listing Rules); and

- (49) A class of shares conferring weighted voting rights in a listed issuer must not entitle the beneficiary to more than ten times the voting power of ordinary shares, on any resolution tabled at the issuer's general meetings (Rule 8A.10 of the Listing Rules).

In addition, to further enhance its shareholder protection measures, the Company will at the 2021 EGM propose the following Articles amendments to its shareholders: (a) lowering the quorum of general meeting (which is not a class meeting) from not less than one-third (1/3) of aggregate voting power of all the ordinary shares present in person or by proxy as currently provided for in Article 58(a) of the Company's Articles to 10% of voting rights (on a one vote per share basis) in the share capital of the Company (the "**Quorum Requirement**"); (b) where any general meeting is postponed by the directors pursuant to Article 57 of the Company's Articles, requiring such meeting to be postponed to a specific date, time and place (the "**GM Postponement Requirement**"); (c) allowing any shareholder or shareholders whose shareholding interests in the Company represent, in the aggregate, not less than 10% of the total issued and outstanding Class A ordinary shares of the Company to be entitled to nominate one individual to stand for election or re-election as a Director at any general meeting of the Company (the "**Shareholders' Director Nomination Right**"); (d) where at any time, the share capital of the Company is divided into different classes of shares, for the purpose of variation of rights attached to any class of shares, removing the Directors' discretion to treat all the classes or any two or more classes as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration (the "**Class Right Variation Discretion Removal Requirement**"); and (e) requiring any power to be exercised by the Director under Article 3(b) of the Company's Articles (including but not limited to the power to authorize division of Shares into any number of classes and issue shares with preferred or other rights and series of preferred shares) to be subject to the Articles, compliance with the Listing Rules and the Code on Takeovers and Mergers, and the conditions that (x) no new class of shares with voting rights superior to those of Class A ordinary shares will be created and (y) any variations in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A ordinary shares (the "**Overriding Compliance Requirement**"). At the 2021 EGM, the Company will also propose amendments to the Articles to clarify that (i) the Company, its shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise, and (ii) if a court of the U.S. assumes jurisdiction to hear any proceedings, actions, claims or complaints that rely on the provisions of the U.S. Securities Act or the U.S. Exchange Act, then the federal courts of the U.S. shall have exclusive jurisdiction to hear, settle and/or determine such proceeding, action, claim or complaint to the exclusion of the state courts (the "**Forum Selection Clarification**").

In addition, to reflect the full conversion of Class C ordinary shares by Taobao China upon Listing in the Memorandum and Articles and comply with the Listing Rules, the Company will at the 2021 EGM propose to its Shareholders to remove (i) the shareholding structure of Class C ordinary shares and provisions related to Class C ordinary shares (the "**Class C Removal Requirement**") and (ii) rights of

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director appointment and removal of Taobao China (the “**Alibaba Director Appointment and Removal Right Requirement**”, together with the Unmet Listing Rules Articles Requirements, the Quorum Requirement, the GM Postponement Requirement, the Forum Selection Clarification, the Shareholders’ Director Nomination Right, the Class Right Variation Discretion Removal Requirement, the Overriding Compliance Requirement and the Class C Removal Requirement, the “**Unmet Articles Requirements**”).

The incorporation of the following Unmet Articles Requirements will require approvals of holders of Class A ordinary shares, holders of Class B ordinary shares and (where applicable) holders of Class C ordinary shares in separate class meetings at the 2021 EGM in accordance with the Company’s Articles because these requirements would vary the rights attached to Class A, Class B and Class C ordinary shares: (i) paragraph 2(1) of Part B of Appendix 13 of the Listing Rules; and (ii) Rules 8A.09, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.22, and 8A.24 of the Listing Rules—a resolution to incorporate these Unmet Articles Requirements (the “**Class-based Resolutions**”) will need to be approved at the separate class meetings of holders of Class A ordinary shares (the “**Class A Meeting**”), of Class B ordinary shares (the “**Class B Meeting**”) and (where applicable) of Class C ordinary shares (the “**Class C Meeting**”). However, as discussed in the section headed “Share Capital”, after completion of the Listing, it is contemplated that there will be no holder of Class C ordinary shares and thus the Class-based Resolutions would not need to be approved at the Class C Meeting. The quorum for separate class meetings is one or more persons holding or representing by proxy at least one-third in nominal or par value amount of the issued shares of the relevant class.

If the Class-based Resolutions are approved at all of the Class A Meeting, Class B Meeting and (where applicable) Class C Meeting, the Shareholders will be asked to vote on the Class-based Resolutions and another special resolution to incorporate into the Company’s Articles the Unmet Articles Requirements not covered by the Class-based Resolutions (the “**Non-class-based Resolutions**”) at the full shareholders’ meeting where all shareholders may vote as a single class (the “**Full Shareholders’ Meeting**”) as the Class-based Resolutions and the Non-class-based Resolutions will alter the Memorandum and the Articles. If the Class-based Resolutions are not approved at any of the Class A Meeting, Class B Meeting and (where applicable) Class C Meeting, the Shareholders will only be asked to vote on the Non-class-based Resolutions. The quorum for the Full Shareholders’ Meeting is members controlling not less than one-third of the aggregate voting power of all the ordinary shares present in person or by proxy pursuant to Article 58(a) of the Company’s Articles.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the Unmet Articles Requirements, subject to the conditions that:

- (1) at the 2021 EGM, the Company will put forth: (i) the Class-based Resolutions at the Class A Meeting and the Class B Meeting; and (ii) the Class-based Resolutions (if adopted at the Class A and Class B Meetings) and the Non-class-based Resolutions at the Full Shareholders’ Meeting (together, the “**Amendment Resolutions**”) to amend its Articles to comply with the Unmet Articles Requirements;
- (2) each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Company to be present at the 2021 EGM (whether in person or by proxy) and any general meeting that

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may be convened upon Listing and before the 2021 EGM, and to vote in favor of the Amendment Resolutions;

- (3) if any of the Amendment Resolutions (including the Class-based Resolutions) are not passed at the 2021 EGM, until they are all approved by the shareholders, the Company will, prior to the Listing, irrevocably undertake to the Stock Exchange to continue to put forth the Amendment Resolutions that have not been passed (including the Class-based Resolutions that have not been passed) at each subsequent annual general meeting, and each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to continue to be present and vote in favor of such Amendment Resolutions at such meeting;
- (4) each of the WVR Beneficiaries will undertake to the Company and the Stock Exchange to be present at any general meeting after the Listing until all Amendment Resolutions are approved by shareholders;
- (5) each of Mr. Hongdi Brian Gu, Mr. Tao He, Taobao China, IDG Entity, 5Y Capital Entities, GGV Entities, and XPeng Fortune has undertaken to the Company that, after the Listing becoming effective, he or it shall attend any class meeting and any general meeting (whether in person or by proxy) that may be convened by the Company and will vote in favor of any resolution at such meeting to approve the amendments to the memorandum and articles of association of the Company to incorporate the Unmet Articles Requirements;
- (6) the Company and each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Stock Exchange that it or he will comply with (a) the Unmet Listing Rules Articles Requirements, the GM Postponement Requirement, the Alibaba Director Appointment and Removal Right Requirement, the Shareholders' Director Nomination Right, the Class Right Variation Discretion Removal Requirement, and the Overriding Compliance Requirement, (b) the Class C Removal Requirement by not issuing (in the case of the Company) or procuring the Company not to issue (in the case of each of the WVR Beneficiaries), any new Class C ordinary share, and (c) the Forum Selection Clarification with respect to the Company and its Directors agreeing to submit to the jurisdiction of the court of Hong Kong to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise, upon the Listing and before the existing Articles are formally amended to incorporate the Unmet Articles Requirements, except for the following (the **"Undertaking for Interim Compliance"**) (For the avoidance of doubt, the exceptions set out in sub-paragraphs (i) to (iii) below are only applicable to the passing of the Amendment Resolutions and the Company undertakes to the Stock Exchange to comply with the requirements under the Listing Rules for passing any resolution at a separate class meeting and any special resolution after the Listing (other than the Amendment Resolutions)):
 - (i) paragraph 2(1) of Part B of Appendix 13 such that, prior to the Company's Memorandum and Articles being amended, the threshold for passing any resolution for the Amendment Resolutions in a separate class meeting will be approval by simple majority of the votes cast by such Shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives,

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at a class meeting pursuant to article 3(c) of the Articles, based on the specific and prevailing circumstances of the Company;

- (ii) Rules 8A.24(1) and (2) such that, prior to the Memorandum and Articles being amended, weighted voting rights would apply in connection with passing the Amendment Resolutions;
- (iii) paragraph 1 of Part B of Appendix 13 such that, the threshold for passing any special resolution for the Amendment Resolutions will be approval by members holding not less than two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 128 of the current Articles; and
- (iv) paragraphs 3(3) and 4(2) of Part B of Appendix 13 to the extent that the Company will not hold an annual general meeting in 2021;

(For the avoidance of doubt, if any of the Class-based Resolutions is not passed at the 2021 EGM, the Undertaking for Interim Compliance will remain valid until the Class-based Resolutions are passed.)

- (7) each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Company that he will procure the Company to give effect to the Undertaking for Interim Compliance upon the Listing and before its existing Articles are formally amended;
- (8) if holders of any ADSs do not give voting instructions to the depositary with respect to the Amendment Resolutions, the Company will exercise any discretionary proxy it may have under the deposit agreement for the ADSs to vote the underlying Class A ordinary shares represented by their ADSs to approve the Amendment Resolutions at any general meetings;
- (9) the Company remains listed on the NYSE; and
- (10) the Company will issue a press release announcing its support publicly for the Amendment Resolutions each year after the Listing until all Amendment Resolutions are approved by shareholders.

The undertakings to be provided by each of the WVR Beneficiaries as set out in paragraphs (2), (3), (4), (6), and (7) above are referred to as the “**WVR Beneficiaries Waiver Condition Undertakings**”.

Each WVR Beneficiary acknowledged and agreed that our shareholders rely on the WVR Beneficiaries Waiver Condition Undertakings in acquiring and holding their shares. Each WVR Beneficiary acknowledged and agreed that the WVR Beneficiaries Waiver Condition Undertakings are intended to confer a benefit on the Company and all existing and future shareholders and may be enforced by the Company and/or any such shareholder against the WVR Beneficiary.

The WVR Beneficiaries Waiver Condition Undertakings shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company.

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For the avoidance of doubt, the termination of the WVR Beneficiaries Waiver Condition Undertakings shall not affect any rights, remedies, obligations or liabilities of the Company and/or any shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the WVR Beneficiaries Waiver Condition Undertakings which existed at or before the date of termination. The WVR Beneficiaries Waiver Condition Undertakings shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the WVR Beneficiaries Waiver Condition Undertakings shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

The Company's legal adviser as to the laws of the Cayman Islands confirms that the Undertaking for Interim Compliance will not violate the laws and regulations of the Cayman Islands, and the Company confirms that, having consulted its other legal advisers, the Undertaking for Interim Compliance will also not violate other laws and regulations applicable to the Company.

Assuming the Over-allotment Option is not exercised, no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan, no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and all Class C ordinary shares held by Taobao China has been converted to Class A ordinary shares, the WVR Beneficiaries, Mr. Hongdi Brian Gu, Mr. Tao He, Taobao China, IDG Entity, 5Y Capital Entities, GGV Entities, and XPeng Fortune will, immediately upon the Listing, beneficially own in aggregate 409,846,136 Class B ordinary shares and 439,005,133 Class A ordinary shares representing (a) 100% of the total voting rights of holders of the Class B ordinary shares voting as a separate class, (b) approximately 34.2% of the total voting rights of holders of the Class A ordinary shares voting as a separate class, and (c) approximately 84.3% of total voting rights (on weighted voting rights basis) and 50.2% of total voting rights in the Company (on a one-share-one-vote basis). Despite undertaking from our WVR Beneficiaries, Mr. Hongdi Brian Gu, Mr. Tao He, Taobao China, IDG Entity, 5Y Capital Entities, GGV Entities, and XPeng Fortune to vote in favor of the Amendment Resolutions to ensure that they will be adopted at the Class B Meeting and the Full Shareholders' Meeting, there is no guarantee that the Class-based Resolutions will be passed at the Class A Meeting. As the Company has not, since its listing on the NYSE, held a general meeting, it is uncertain as to whether the Class-based Resolutions will be approved with sufficient support from our shareholders at the Class A Meeting.

In the event of any failure to adhere to the requirements of Chapter 8A of the Listing Rules as determined by the Stock Exchange, the Stock Exchange may, as it considers necessary for the protection of the investors or the maintenance of an orderly market and in addition to any other action that the Stock Exchange considers appropriate under the Listing Rules, exercise absolute discretion to:

- (1) direct a trading halt or suspend dealings of any securities of the Company or cancel the listing of any securities of the Company as set out in Rule 6.01 of the Listing Rules;
- (2) impose the disciplinary sanctions set out in Rule 2A.09 of the Listing Rules against the parties set out in Rule 2A.10 of the Listing Rules;
- (3) withhold: (a) approval for an application for the listing of securities; and/or (b) clearance for the issuance of a circular to the Company's shareholders unless and until all necessary steps have been taken to address the non-compliance as directed by the Stock Exchange to its satisfaction.

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WAIVER APPLICATION IN RESPECT OF ACQUISITION AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountant's report to be included in a listing document must include the results and the statement of financial position of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document or in respect of each of the financial years since commencement of such business or the incorporation or other establishment of such subsidiary (as the case may be) if this occurred less than three years prior to such issue or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to the Rules 4.04(2) and 4.04(4) of the Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

On May 20, 2021, the Company entered into a restructuring agreement to acquire 100% of the equity interest of Jiangsu Zhitu Technology Co., Ltd. (832282.NEEQ, the “**Zhitu Technology**”) with cash consideration of RMB250 million through the bankruptcy procedures of the Zhitu Technology (the “**Zhitu Acquisition**”).

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.04(2) and 4.04(4)(a) to the Listing Rules in respect of the Zhitu Acquisition on the following grounds:

The percentage ratios of the Zhitu Acquisition are all less than 5% by reference to the financial year ended December 31, 2020 and the three months ended March 31, 2021

The applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Zhitu Acquisitions are all less than 5% by reference to the financial year ended December 31, 2020 and the three months ended March 31, 2021. Accordingly, we believe that the Zhitu Acquisition is not expected to result in any significant changes to our financial position since March 31, 2021, and all information that is reasonably necessary for the potential investors to make an informed assessment of our activities or financial position has been included in the prospectus. As such, we consider that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

The historical financial information of the Zhitu Technology fulfilling the disclosure requirement under Rule 4.04 of the Listing Rules would be unduly burdensome to obtain or prepare

Note 2 to Rules 4.04(2) and 4.04(4) of the Listing Rules requires that “the financial information on the business or subsidiary acquired, agreed to be acquired or proposed to be acquired must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report”. Before its trading halt, Zhitu Technology was a company traded over the PRC National Equities Exchange and Quotations. The historical

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financial information of Zhitu Technology was prepared in accordance with the PRC GAAP as opposed to U.S. GAAP. In addition, it would require considerable time and resources for us and our reporting accountant to fully familiarize ourselves with the management accounting policies of Zhitu Technology and compile the necessary financial information in accordance with U.S. GAAP that complies with Rule 4.04 of the Listing Rules for disclosure in the prospectus. It is equally impractical to request the Company to produce historical financial information in accordance with U.S. GAAP.

In addition, Zhitu Technology has been subject to bankruptcy and liquidation procedures and under the control of the liquidator since March 30, 2021 until the closing of the Zhitu Acquisition. The Company could not access or control their financial reporting or request the preparation of financial statements in accordance with U.S. GAAP until the closing of the Zhitu Acquisition. Even after closing of the Zhitu Acquisition, the Company expects it would take significant amount of time and resources before obtaining full control of Zhitu Technology and to prepare financial statements required under Rule 4.04. Also, according to the liquidator, the balance sheet profile of Zhitu Technology is highly complicated and the relevant information in the restructuring plan they prepared represented only measurement of estimate nature. Moreover, the auditor of Zhitu Technology issued qualified opinion as to the financial statements for the financial year ended December 31, 2019 on April 29, 2020 because Zhitu Technology did not provide the relevant evidence substantiating the accuracy of their operating cost, they could not perform sufficient and proper audit procedures to obtain sufficient and proper evidence as to the truth and completeness of the operating cost, completeness of inventories and accuracy of pricing of Zhitu Technology. Zhitu Technology suggested such failure to provide relevant information by a subsidiary of Zhitu Technology in Wuhan because of the COVID-19.

In addition, the auditor of Zhitu Technology issued disclaimer of opinion as to the financial statements for the financial year ended December 31, 2020 on April 23, 2021 because of (i) uncertainty about going concern assumption arising out of the bankruptcy procedures, the departure of employees, failure to hold board meeting, default of significant debt and the seizure of significant assets; (ii) failure to carry out sufficient and proper audit procedures due to resignation of key employees; (iii) existence of material pending litigations and material defects in internal control.

The non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors

In addition, according to the restructuring plan of the liquidator which took effect after being approved by the Yangzhou Intermediate People's Court (the "**Court Approval**"), no creditor will be entitled to claim any rights based on the creditor rights existing before the Court Approval, so that the historical financial information during the Track Record Period may not be indicative of the performance of Zhitu Technology after the completion of its restructuring. Having considered the Zhitu Acquisition to be immaterial and that we do not expect the Zhitu Acquisition to have any material effect on our business, financial condition or operations, we believe that it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of Zhitu Technology during the Track Record Period in accordance with U.S. GAAP in the prospectus. As we do not expect the Zhitu Acquisition to result in any material changes to our financial position after the Track Record Period, we do not believe that the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would prejudice the interests of the investors.

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Alternative disclosure of the Zhitu Acquisitions in the listing document

We have provided alternative information about the Zhitu Acquisition in the prospectus. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that our Directors consider to be material, including, for example, descriptions of the Zhitu Technology's principal business activities, the investment amounts, and a statement as to whether the Zhitu Technology is an Independent Third Party. Since each of the relevant percentage ratio of the Zhitu Acquisition is less than 5% by reference to the most recent fiscal year of the Track Record Period, we believe that the current disclosure is adequate for potential investors to form an informed assessment of the Company. We do not expect to use any proceeds from the Listing to fund the Zhitu Acquisition.

WAIVER FROM PRINTED PROSPECTUSES

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, our Company is required to make available copies of this prospectus in printed form.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 12.04(3), 12.07 and 12.11 of the Listing Rules in respect of the availability of copies of the prospectus in printed form.

The waiver from the requirements to make available printed copies of this prospectus is in line with the approach taken by the regulators in encouraging the adoption of the electronic application means for public offerings from the Guidance for Electronic Public Offering issued by the SFC in 2003 and the consultation paper and conclusion on the adoption of the mixed media offer issued by the SFC and the Stock Exchange in April 2008 and November 2010, respectively.

The "paperless" approach is also in line with the recent sustainable initiatives of the Stock Exchange, including no longer requiring listed issuers to provide standalone the environmental, social and governance reports in printed forms to shareholders and the launch of the Sustainable and Green Exchange as well as the recent consultation paper and conclusion on proposals to introduce a paperless listing & subscription regime, online display of documents and reduction of the types of documents on display. Electronic, in lieu of printed prospectuses and application forms will help mitigate the environmental impact of printing, including, among others, the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials and air pollution.

Considering the latest development of the COVID-19 pandemic, adopting a fully electronic application process will reduce the need for prospective investors to gather in public and hence enhance social distancing and help reduce the risk of spreading in the community.

Our Company proposes to adopt a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. The Hong Kong Share Registrar appointed by our Company will implement enhanced measures to support **HK eIPO White Form** Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries and a dedicated section of the **HK eIPO White Form** service's website and **IPO App** with specific guidance to

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investors in connection with the fully electronic application process. To apply for the Hong Kong Offer Shares, investors may apply online through the **HK eIPO White Form** service in the **IPO App** or at **www.hkeipo.hk** or apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on their behalf. Please refer to “How to Apply for Hong Kong Offer Shares” for further details.

Our Company also expects to (i) prominently disclose in this prospectus and the formal notice that no printed copies of this prospectus or any application forms will be available to the public and investors can only subscribe for the Hong Kong Offer Shares electronically, and (ii) publish the formal notice of the Global Offering on the official websites of the Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by the Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectus or application form will be provided.

WAIVER IN RELATION TO DISCLOSURE OF OFFER PRICE

Paragraph 15(2)(c) of Appendix 1A to the Listing Rules provides that the issue price or offer price of each security must be disclosed in the listing document. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 15(2)(c) of Appendix 1A to the Listing Rules so that our Company will only disclose the maximum Public Offer Price for the Hong Kong Offer Shares in this prospectus, on the following grounds:

- a. the pricing of the Offer Shares will be determined by reference to, among other factors, the closing price of our ADSs on the NYSE on the last trading day on or before the Price Determination Date and the market price of our ADSs traded on the NYSE is subject to various factors and is not within the control of our Company;
- b. setting a fixed price or a price range with a low-end offer price per Offer Share may adversely affect the market price of our ADSs and the Offer Shares; and
- c. disclosure of a maximum Public Offer Price is in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, as such disclosure constitutes sufficient disclosure of the “amount payable” on application and allotment on the Offer Shares as required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

See “Structure of the Global Offering – Pricing and Allocation” for (i) the time for determination of the Public Offer Price and the International Offer Price; (ii) the historical prices of our ADSs and trading volume on the NYSE; and (iii) the source for the investors to access the latest market price of our ADSs.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total

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demand levels are reached. Subject to the Stock Exchange granting the waiver described below, the Hong Kong Public Offering and the International Offering will initially account for 5% and 95% of the Global Offering, respectively, subject to the clawback mechanism described below. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Paragraph 4.2 of Practice Note 18 to the Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering will be adjusted as follows:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 6,375,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option);
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 8,500,000 Offer Shares, representing 10.0% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option); and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 17,000,000 Offer Shares, representing 20.0% of the Offer Shares initially available under the Global Offering (before exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives would have discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is not fully subscribed, the unsubscribed Offer Shares under the Hong Kong Public Offering may be reallocated to the International Offering.

See “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” for further details.

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DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION OF THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form sets out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus or the **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to agreement on the pricing of the Offer Shares between the Joint Representatives (on behalf of the Underwriters) and our Company. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

The Price Determination Date is expected to be on or around June 30, 2021 and, in any event, not later than July 6, 2021. If, for whatever reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on or before July 6, 2021, the Global Offering will not proceed and will lapse immediately.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Class A ordinary shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus and on the **GREEN** Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF CLASS A ORDINARY SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Class A ordinary shares on a registration statement on Form F-1 to be filed with the SEC), or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong or the United States. Accordingly, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the **GREEN** Application Form and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

COMMENCEMENT OF DEALINGS IN OUR CLASS A ORDINARY SHARES

We expect that dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will commence on July 7, 2021. The Class A ordinary shares will be traded in board lots of 100 Class A ordinary shares each. The stock code of our Class A ordinary shares will be 9868.

CLASS A ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Class A ordinary shares and we comply with the stock admission requirements of HKSCC, our Class A ordinary shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our Class A ordinary shares to be admitted into CCASS.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Class A ordinary shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

LISTINGS

We have applied to the Stock Exchange for the listing of, and permission to deal in, our Class A ordinary shares in issue and to be issued pursuant to the Global Offering (including the Class A ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option), the Class A ordinary shares to be converted upon the completion of the Global Offering, and may be converted, from Class B ordinary shares, and Class A ordinary shares to be converted from Class C ordinary shares upon the completion of the Global Offering.

Dealings in the Class A ordinary shares on the Stock Exchange are expected to commence on July 7, 2021. Our Company currently has a primary listing of ADSs on the NYSE, which it intends to maintain alongside its proposed dual primary listing of our Class A ordinary shares on the Stock Exchange. Other than the foregoing, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Class A ordinary shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

Our register of members holding unlisted Shares and a portion of our Class A ordinary shares represented by the ADSs will be maintained by our Principal Share Registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our register of members holding Class A ordinary shares listed on the Hong Kong Stock Exchange and a portion of our Class A ordinary shares represented by the ADSs will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

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OWNERSHIP OF ADSs

An owner of ADSs may hold his or her ADSs either by means of an ADR (evidencing certificated ADSs) registered in his or her name, through a brokerage or safekeeping account, or through an account established by the depositary bank in his or her name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank, commonly referred to as the “direct registration system,” or DRS. The direct registration system reflects the uncertificated registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is confirmed by periodic statements sent by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and DTC. If an owner of ADSs decides to hold his or her ADSs through his or her brokerage or safekeeping account, he or she must rely on the procedures of his or her broker or bank to assert his or her rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC.

DEALINGS AND SETTLEMENT OF CLASS A ORDINARY SHARES IN HONG KONG

Our Class A ordinary shares will trade on the Hong Kong Stock Exchange in board lots of 100 Class A ordinary shares. Dealings in our ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his

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or her stock account or in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

CONVERSION BETWEEN CLASS A ORDINARY SHARES TRADING IN HONG KONG AND ADSs

In connection with the Global Offering, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our Principal Share Registrar, Harneys Fiduciary (Cayman) Limited.

All Class A ordinary shares offered in the Global Offering will be registered on the Hong Kong Share Register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong Share Register will be able to convert these shares into ADSs, and vice versa.

In connection with the Global Offering, and to facilitate fungibility and conversion between ADSs and Class A ordinary shares and trading between the NYSE and the Hong Kong Stock Exchange, we intend to move a portion of our issued Class A ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

OUR ADSs

Our ADSs are traded on the NYSE. Dealings in our ADSs on the NYSE are conducted in U.S. Dollars.

ADSs may be held either:

- directly, by having a certificated ADS, or an ADR, registered in the holder's name, or by holding in the direct registration system, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto; or
- indirectly, through the holder's broker or other financial institution.

The depositary for our ADSs is Citibank, N.A., whose office is 388 Greenwich Street, New York, New York 10013.

Converting Class A Ordinary Shares Trading in Hong Kong into ADSs

An investor who holds Class A ordinary shares registered in Hong Kong and who intends to convert them to ADSs to trade on the NYSE must deposit or have his or her broker deposit the Class A ordinary shares with the depositary's Hong Kong custodian, Citibank, N.A., Hong Kong, or the custodian, in exchange for ADSs.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

A deposit of Class A ordinary shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer the Class A ordinary shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depositary's account with the custodian within CCASS, submit and deliver a duly completed and signed letter of transmittal to the custodian.
- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker.

For Class A ordinary shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the share-to-ADS conversion procedures are completed.

In connection with ADS issuances, certification(s) for deposits may be required to be delivered to the depositary. Investors are directed to check with the depositary or its custodian in advance of depositing Class A ordinary shares to determine whether a deposit certification is required.

Converting ADSs into Class A Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and who intends to convert his/her ADSs into Class A ordinary shares to trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds, withdraw the Class A ordinary shares from our ADS program and cause his or her broker or other financial institution to trade such Class A ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker should follow the broker's procedure and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Class A ordinary shares from the depositary's account with the custodian within the CCASS system to the investor's Hong Kong stock account.

For investors holding ADSs directly, the following steps must be taken:

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will cancel the applicable ADSs and instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the ADS-to-share conversion procedures are completed.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancelations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong Share Register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong Share Register to facilitate such withdrawals.

Depository Requirements

Before the depositary issues ADSs or permits withdrawal of Class A ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including but not limited to, completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancelations of ADSs generally when the transfer books of the depositary or our Hong Kong Share Registrar are closed or at any time if the depositary or we determine it advisable to do so or it would violate any applicable law or the depositary's policies or procedures.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from, or deposit of Class A ordinary shares into, our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and holders of ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ordinary shares and holders of ADSs must pay up to US\$5.00 per 100 ADSs for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Class A ordinary shares or ADSs or exercising any rights attaching to them. We emphasize that none of our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Shares or ADSs or your exercise of any rights attaching to them.

EXCHANGE RATE CONVERSION

Our reporting currency is the Renminbi. This prospectus contains translations of financial data in Renminbi and Hong Kong dollar amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of financial data in Renminbi and Hong Kong dollars into U.S. dollars and from U.S. dollars into Renminbi and Hong Kong dollars in this prospectus were made at a rate of RMB6.5518 to US\$1.00 and HK\$7.7746 to US\$1.00, the respective exchange rate on March 31, 2021 set forth in the H.10 statistical release of the Federal Reserve Board. All translations of financial data in relation to the Global Offering (including listing expenses and net proceeds from the Global Offering) in Renminbi and Hong Kong dollar into U.S. dollars and from U.S. dollars into Renminbi and Hong Kong dollar in this prospectus were made at a rate of RMB6.3967 to US\$1.00 and HK\$7.7604 to US\$1.00, the respective exchange rate on June 11, 2021 set forth in the H.10 statistical release of the Federal Reserve Board. No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser, or the Compliance Adviser, upon listing of our Class A ordinary shares on the Hong Kong Stock Exchange in compliance with Rules 3A.19 and 8A.33 of the Listing Rules. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus;
- (d) where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of our Class A ordinary shares or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules;
- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS*

Name	Address	Nationality
<i>Executive Directors</i>		
Xiaopeng He (何小鹏)	804, Building E, The Concordia No. 37, Linhe Street Linhe East Road Tianhe District Guangzhou PRC	Chinese
Heng Xia (夏珩)	Room 1904 No. 66, Qiaolin Street Tianhe District Guangzhou PRC	Chinese
<i>Non-executive Directors</i>		
Jun Chen (陳俊)	Apt Blk 225 Pending Road #06-173, Singapore 670225	Singaporean
Qin Liu (劉芹)	Flat A, 19/F Nicholson 109 Repulse Bay Road Repulse Bay Hong Kong	Chinese
Ji-Xun Foo (符績勳)	25 Phoenix Garden Singapore 668292	Singaporean
Fei Yang (楊飛)	Room 1002 No. 88 Taoyu Road Tianhe District Guangzhou PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Donghao Yang (楊東皓)	5-3002 Xintai Street East Binjiang Road Guangzhou PRC	Chinese
Fang Qu (瞿芳)	No 282, Huai Hai Road Central Huangpu District Shanghai PRC	Chinese
HongJiang Zhang (張宏江)	627 Jurong West Street 65 #14-380, Singapore 640627	Singaporean

Note:

* As of the Latest Practicable Date, Hongdi Brian Gu (顧宏地) and Tao He (何濤) are Directors of the Company. Each of them will resign from directorship with effect from Listing and the appointment of Fang Qu (瞿芳) and HongJiang Zhang (張宏江) as independent non-executive Directors will become effective at the same time. The replacement of two executive directors with two independent non-executive directors would allow us to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules that our Board shall include at least three independent non-executive directors, who shall represent at least one-third of our Board.

Notwithstanding their resignations from our Board, Hongdi Brian Gu will continue to serve as our honorary vice chairman of the Board and president, and Tao He will continue to serve as our senior vice president. Subject to our Memorandum and Articles and the applicable laws and regulations, if any casual vacancy arises on the Board after the Listing due to the departure of a non-executive Director or executive Director, the Board may appoint Hongdi Brian Gu or Tao He to fill such vacancy.

For further information regarding our Directors, please see the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

J.P. Morgan Securities (Far East) Limited

28/F Chater House
8 Connaught Road Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited

Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Joint Representatives

J.P. Morgan Securities (Asia Pacific) Limited

28/F Chater House
8 Connaught Road Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited

Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Citigroup Global Markets Asia Limited

50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

Joint Global Coordinators

J.P. Morgan Securities (Asia Pacific) Limited

28/F Chater House
8 Connaught Road Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited

Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Citigroup Global Markets Asia Limited

50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners and Joint Lead Managers

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited

(in relation to the Hong Kong Public Offering only)

28/F Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities plc

(in relation to the International Offering only)

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

J.P. Morgan Securities LLC

(in relation to the International Offering only)

383 Madison Avenue
New York, NY 10179
United States of America

Merrill Lynch (Asia Pacific) Limited

Level 55, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public Offering)

50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited

(in relation to the International Offering)

33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Capital Limited

(Joint Bookrunner only)

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited

(Joint Lead Manager only)

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

Futu Securities International (Hong Kong) Limited

Unit C1-2 13/F United Centre
No.95 Queensway
Admiralty
Hong Kong

US Tiger Securities, Inc.

(in relation to the International Offering only)

437 Madison Ave, 27/F
New York, NY 10022
United States of America

Financial Adviser to the Company

Ampere Partners Limited

Suite 1501, Nexxus Building
41 Connaught Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Company

As to Hong Kong and United States laws:

Sullivan & Cromwell (Hong Kong) LLP

20/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:

Fangda Partners

27/F North Tower Beijing Kerry Centre
1 Guanghai Road
Chaoyang District
Beijing
PRC

As to Cayman Islands law:

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Central
Hong Kong

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and United States laws:

Freshfields Bruckhaus Deringer

55/F, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC law:

JunHe LLP

26/F HKRI Centre One
HKRI Taikoo Hui
288 Shimen Road (No.1)
Shanghai
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

IHS Global Inc.

Global Headquarters
4th Floor, Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Compliance Adviser

Guotai Junan Capital Limited

27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**

33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands **Harneys Fiduciary (Cayman) Limited**

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Corporate headquarters

No. 8 Songgang Road
Changxing Street, Cencun
Tianhe District
Guangzhou
PRC

Principal place of business in Hong Kong

Suite 3911, 39/F
Jardine House
1 Connaught Place
Central
Hong Kong

Company's website

www.xiaopeng.com

(The contents on this website do not form part of this prospectus)

Joint Company Secretaries

Yeqing Zheng (鄭葉青)
No. 8 Songgang Road
Changxing Street, Cencun
Tianhe District
Guangzhou
PRC

Ming Wai Mok (莫明慧)
(Fellow of the Hong Kong Institute of Chartered Secretaries
and the Chartered Governance Institute in the United
Kingdom)
54/F, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

Authorized representatives

Xiaopeng He (何小鹏)
804, Building E, The Concordia
No. 37, Linhe Street
Linhe East Road
Tianhe District
Guangzhou
PRC

Ming Wai Mok (莫明慧)
54/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Audit Committee

Donghao Yang (楊東皓) (*Chairperson*)
Ji-Xun Foo (符績勳)
HongJiang Zhang (張宏江)

Compensation Committee

Fang Qu (瞿芳) (*Chairperson*)
Xiaopeng He (何小鹏)
HongJiang Zhang (張宏江)

Nomination Committee

HongJiang Zhang (張宏江) (*Chairperson*)
Xiaopeng He (何小鹏)
Fang Qu (瞿芳)

Corporate Governance Committee

Donghao Yang (楊東皓) (*Chairperson*)
Fang Qu (瞿芳)
HongJiang Zhang (張宏江)

Principal Share Registrar

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
54/F, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

Principal Bankers

Agricultural Bank of China, Zhaoqing Hi-Tech Branch

G/F, No. 1-12

Yingbin Road North, Dehua Garden

Hi-Tech District

Zhaoqing

PRC

Bank of China, Nansha Jinzhou Branch

No. 93 Jinling North Road

Nansha District

Guangzhou

PRC

China Construction Bank, Zhaoqing Branch

Construction Road No. 2, No. 85

Duanzhou District

Zhaoqing

PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information from official and non-official sources has not been independently verified by us, the Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering (excluding IHS Markit), and no representation is given as to its accuracy or completeness of such information and statistics. Accordingly, investors are cautioned not to place any undue reliance on the information, including the statistics and estimates, set out in this section or similar information included elsewhere in this prospectus.

CHINA'S ELECTRIC VEHICLE MARKET AND KEY TRENDS

Overview of the China NEV and EV Market

China is the largest passenger vehicle market in the world, as measured by sales volume in 2020, according to the IHS Markit Report. Driven by growing disposable income, increasing urbanization and investment in transportation infrastructure, sales volume of passenger vehicles in China reached 19.7 million units in 2020, and is expected to increase to 25.6 million units in 2025.

Among the 19.7 million units of passenger vehicles sold in 2020, 6.3% of the volume, equivalent to 1.2 million units, were attributable to NEVs. The NEV sales volume is forecasted to grow to 2.2 million units in 2021, and further to 6.1 million units in 2025, representing 23.9% of the total passenger vehicle sales volume in China in 2025. NEVs are comprised of EV, plug-in hybrid electric vehicles (PHEV) (including extended-range electric vehicles, EREV), and fuel cell electric vehicles (FCEV). In 2020, EV, PHEV and FCEV accounted for 78.9%, 21.1% and less than 0.1% the total NEV sales volume in China.

China has the world's largest battery electric passenger vehicle (EV) market, with approximately 1.0 million units sales volume in 2020. China's EV market represented 45.3% of the global EV sales volume and was 3.7 times the size of the EV market in the United States, according to the IHS Markit Report. China's EV sales volume is expected to grow at a CAGR of 33.8% from 2020 to 2025, reaching 4.2 million units in 2025.

The mid- to high-end segment is the largest segment in China's EV market

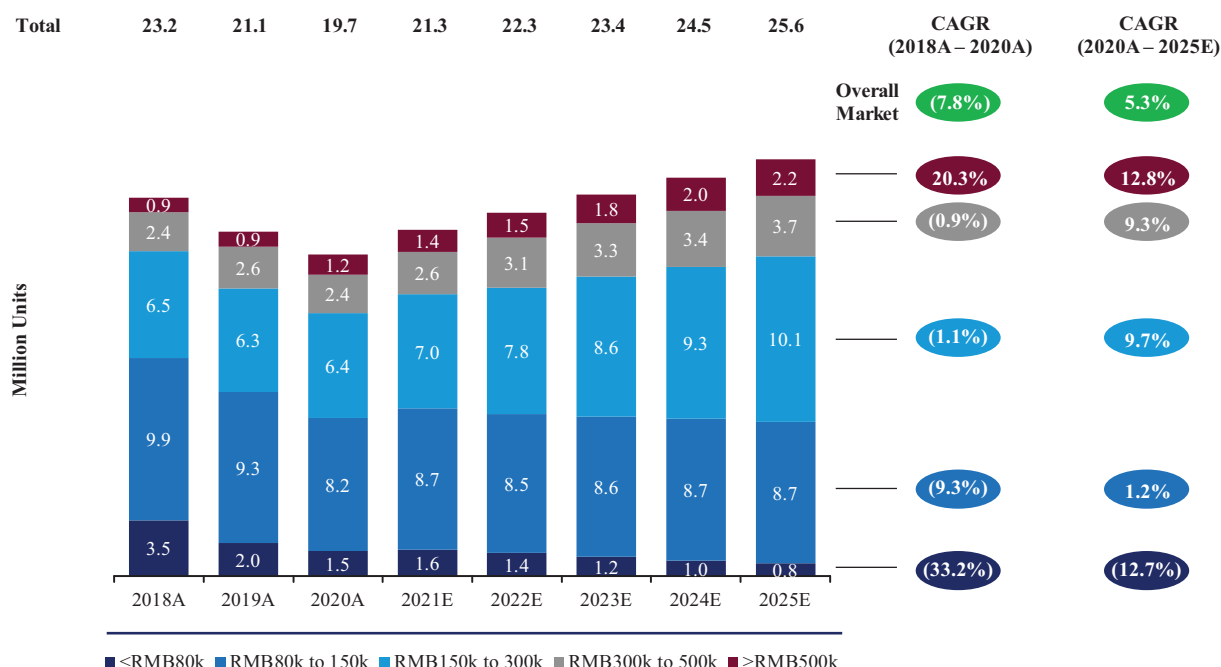
The passenger vehicle market in China can be categorized by price range into five segments, namely (i) entry-level segment with prices not more than RMB80,000, (ii) mass segment with prices from (and excluding) RMB80,000 and RMB150,000, (iii) mid- to high-end segment with prices from (and excluding) RMB150,000 and RMB300,000, (iv) premium segment with prices from (and excluding) RMB300,000 and RMB500,000, and (v) luxury segment with prices above RMB500,000. The mid- to high-end segment is

INDUSTRY OVERVIEW

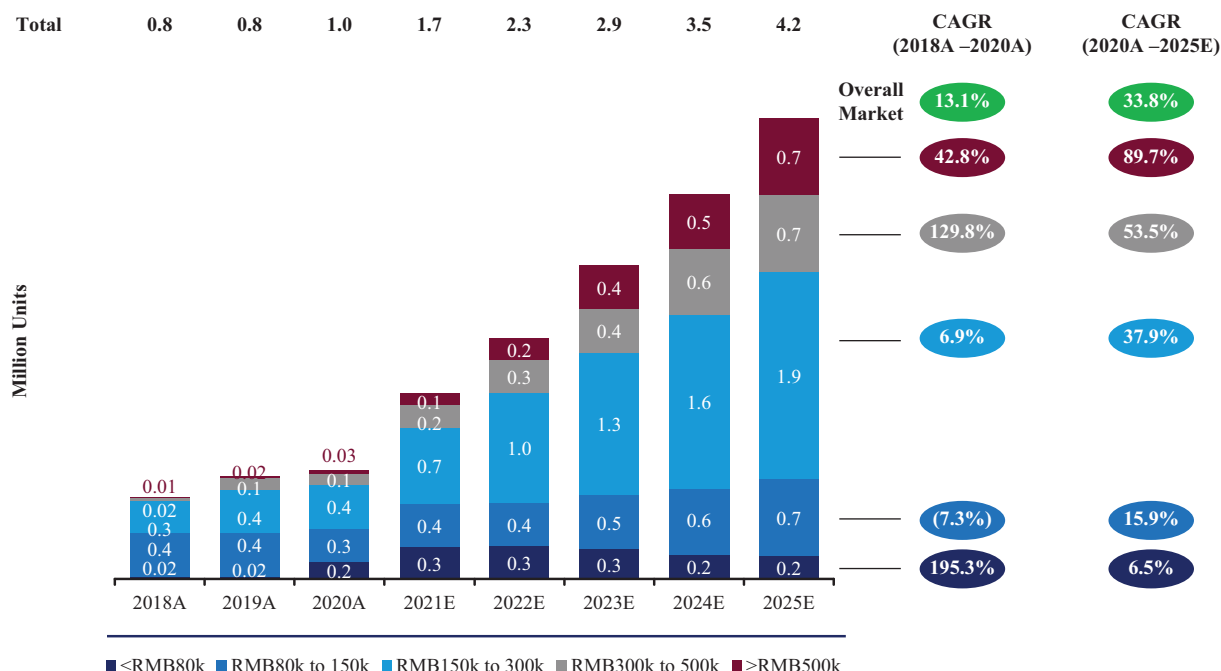
expected to grow from 6.4 million units in 2020 to 10.1 million units in 2025, and to become the largest segment in China's passenger vehicle market.

In China's EV market, the mid- to high-end segment is the largest, accounting for 38.3% of sales volume in 2020. This segment is expected to remain the largest and reach 1.9 million sales units in 2025. The following chart sets forth sales volume of China's passenger vehicles and EVs by price segment from 2018 to 2025:

China PV Sales Volume by Price Segment



China EV Sales Volume by Price Segment



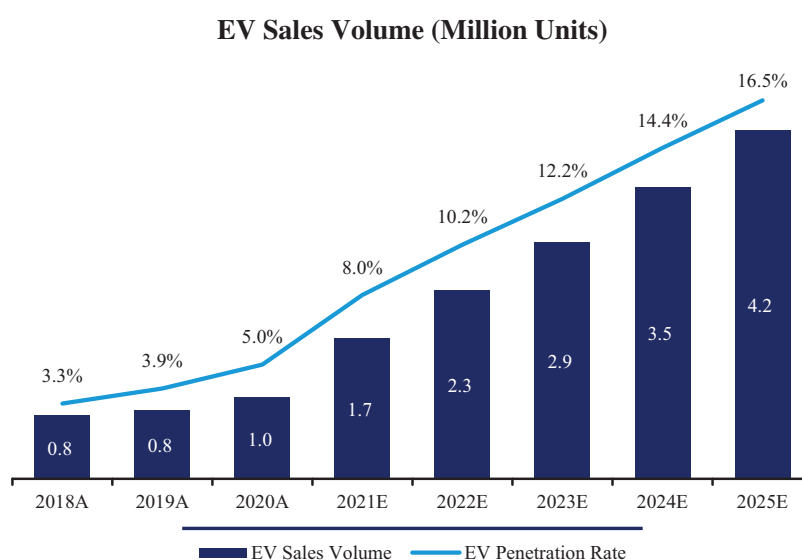
INDUSTRY OVERVIEW

Source: IHS Markit Report

Note: Price ranges presented in this chart do not include any government subsidy.

MAJOR FACTORS DRIVING ELECTRIFICATION

According to the IHS Markit Report, the EV sales volume in China is forecasted to increase from approximately 1.0 million units in 2020 to 4.2 million units in 2025, which will be larger than the EV sales volume in the United States and Europe combined. The penetration rate of EVs in China's passenger vehicle market is expected to exceed 10% next year, which represents an inflection point for the EV industry. The following chart illustrates the sales volume and penetration rate of EVs in China from 2018 to 2025:



Source: IHS Markit Report

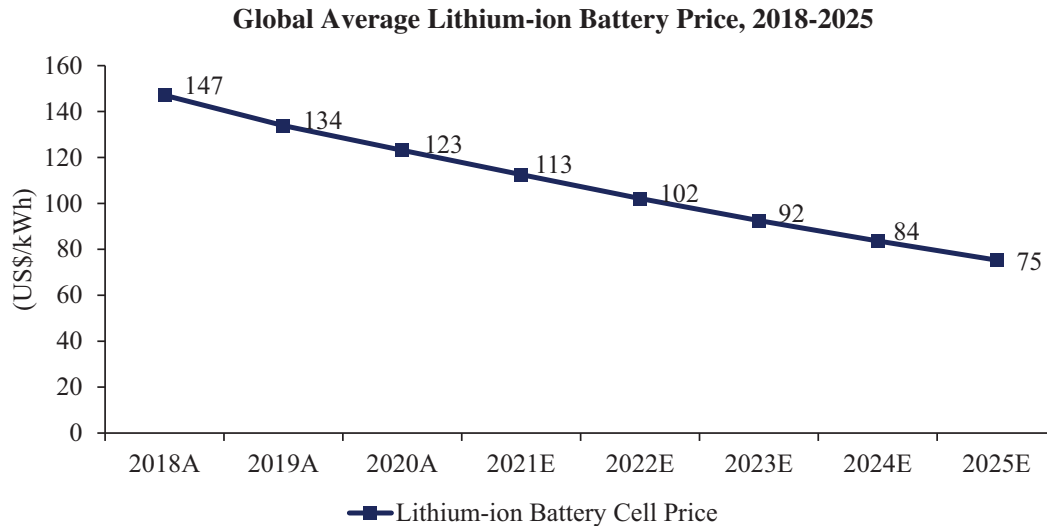
Declining battery price driving down costs of EVs

Battery cells and pack is one of the most expensive components in an EV. Lithium-ion battery is one of the mainstream battery types in terms of chemical composition.

Battery costs have decreased considerably, driven by rapid improvement in economies of scale for global battery production and advancements in battery technology. According to the IHS Markit Report, the average price of lithium battery cells decreased from US\$147 per kWh in 2018 to US\$123 per kWh in 2020, and is expected to further decrease at a compound annual rate of nearly 10% for the next three years.

INDUSTRY OVERVIEW

The following chart sets forth the global yearly average price of Lithium-ion battery from 2018 to 2025:



Source: IHS Markit Report

When consumers decide between an ICE vehicle and an EV, they consider not only the initial purchase cost, but also the total cost of ownership, or TCO, which also includes running costs and residual value. According to the IHS Markit Report, the TCO parity between EV and ICE has already been reached in certain vehicle segments in China.

Favorable policy tailwinds for new energy vehicles

China's favorable government policies are important drivers of the new energy vehicle market. In October 2020, China's State Council published the New Energy Vehicle Industry Development Plan (2021-2035) (the "New Energy Vehicle Industry Development Plan"), stipulating that the development of new energy vehicle is a must for China to transform to a powerful automobile country. The State Counsel has set the target to raise the penetration rate of new energy vehicles to 20% of China's passenger vehicle market by 2025, and battery electric vehicle is expected to become the mainstream new energy vehicle type among the new vehicles sold. This is further supported by a number of preferential policies. For example, earlier in April 2020, the Ministry of Finance of the PRC, together with several other PRC government departments, announced the extension of certain subsidies and tax exemptions on new energy vehicle purchases, so that they would remain effective through 2022. Apart from purchase subsidies, the government has adopted a NEV credit scheme that incentivizes OEMs to increase the production and sale of NEVs. In the Amendments to Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises issued in June 2020, Chinese policy makers have specified that the credit ratios of NEVs are respectively required to be 14%, 16% and 18% for the year of 2021, 2022 and 2023, rising from 10% and 12% formerly requested for 2019 and 2020.

Although the New Energy Vehicle Industry Development Plan covers all types of electric vehicles, China's State Council has set out its vision for BEV to become the mainstream new energy vehicle type among the new vehicle sold by 2035. According to IHS Markit, EV already accounted for close to 80% of NEV sales volume in China in 2020.

INDUSTRY OVERVIEW

Tightening vehicle emission regulations and car plate restrictions on ICE vehicles

Tightening vehicle emission regulations and car plate restrictions limit the growth of the number of ICE vehicles on the road and accelerate NEV adoption. China's phase VI emission standard, one of the strictest in the world, was rolled out in July 2019 in major provinces and cities and has been applied nationwide in July 2020. In addition, several cities have imposed car plate restrictions on ICE vehicles. As such restriction does not apply to EVs in most of these cities, consumers are therefore incentivized to choose EVs over ICE vehicles.

Rapidly expanding charging infrastructure and increasing driving range of EVs

The Chinese government promotes the development of EV charging networks as a national policy with set targets, funding supports and mandatory standards. The recently issued 14th Five-year Plan highlights that the charging infrastructure should be actively expanded and included into urban planning. The MOFCOM issued the Guidelines for Promoting Automobile Consumption in February 2021, suggesting enterprises and public institutions to equip more than 10% of their parking spots with charging piles. The Guidelines also encourage local governments to introduce subsidy for the construction and operation of charging piles, and charging facilities operators to reduce the service fees. Such policies are conducive to the expansion of charging infrastructure, thus addressing one of the major pain points for wider EV adoption.

Many businesses in the private sector, including vehicle manufacturers, energy companies and technology companies, also contribute to the expansion of charging infrastructure. Overall approximately 1.0 million charging stations (including public, semipublic and commercial) have been cumulatively installed in China by the end of 2020 and it is forecasted to grow to 10.4 million units by 2025 according to IHS Markit.

Apart from the availability of charging infrastructure, the ongoing improvement of EV driving range driven by increasing battery energy density also encourages EV purchases. According to a consumer survey conducted by IHS Markit in 2019, or the IHS Markit Survey, "limited travel range" is the most cited reason by prospective buyers for being against the purchase of an EV. Therefore, improving driving range can effectively address such concerns and further contribute to the proliferation of EVs.

CHINA'S CONSUMERS EMBRACING ADVANCED IN-VEHICLE TECHNOLOGIES

According to the IHS Markit Survey, Chinese consumers embrace new in-vehicle technologies, such as connectivity, OTA updates and autonomous driving, more readily than consumers in other major regions globally. In-vehicle technology functions have become one of the most important factors when Chinese consumers make vehicle purchase decisions. According to the IHS Markit Survey, 45.7% of car buyers in China regard in-vehicle technologies as a key purchasing factor, which is ranked only after safety, vehicle specifications and fuel economy. Therefore, Smart EVs, defined as EVs with a rich array of connectivity, autonomous driving and AI technology features are expected to be particularly appealing to Chinese consumers.

INDUSTRY OVERVIEW

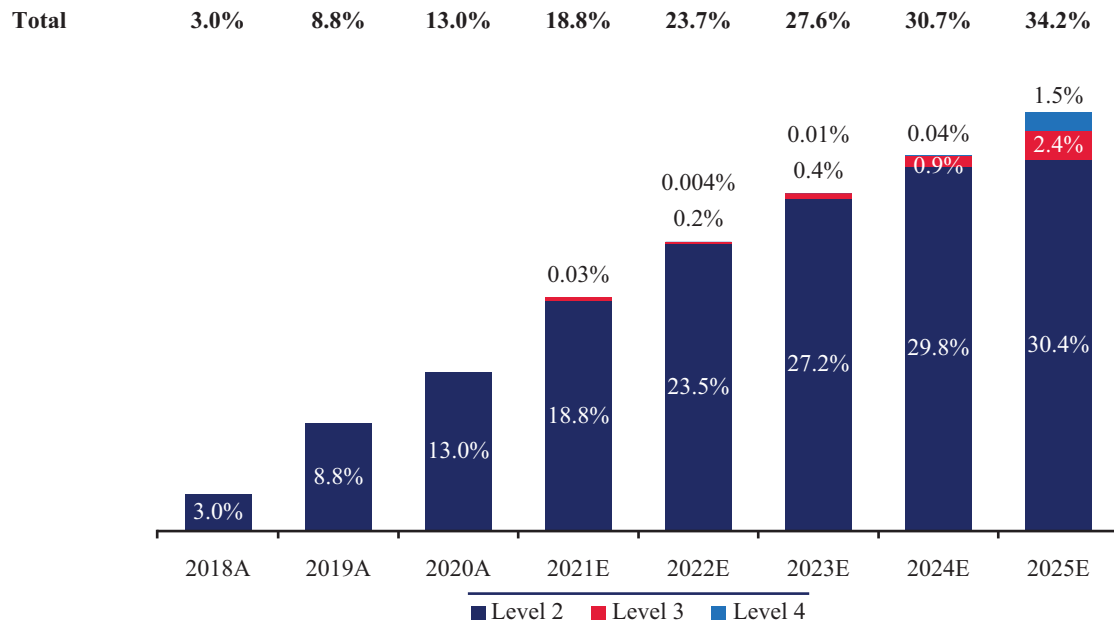
Autonomous driving to redefine driving experience

Autonomous driving technology is rapidly developing and entering the mainstream market. The technology brings freedom to drivers and transforms their driving experience. Autonomous driving system requires a comprehensive suite of hardware, including radars, cameras and processors, as well as software, including perception algorithms, high-definition map and connectivity solutions.

SAE International, a global standard developing organization for transport industries, defines driving automation in six levels, with Level 5 being completely autonomous with no human intervention needed and Level 0 having no autonomous system control. Level 2 autonomous driving system provides steering, braking and acceleration support to a driver, but the driver must constantly supervise these functions to maintain safety. Level 3 autonomous driving system allows hands-free driving under certain conditions and with limitation, such as highways and parking lots, but drivers are still required behind the wheel.

According to the IHS Markit Report, the penetration rate of Level 2 and above autonomous driving systems in China's passenger vehicle market has grown rapidly from 3.0% in 2018 to 13.0% in 2020 and is expected to reach nearly 34.2% by 2025. The following chart illustrates the penetration rate of autonomous driving systems at each of Level 2 to Level 4 in China from 2018 to 2025:

Penetration of Autonomous Driving (Level 2 - Level 4) in Passenger Vehicles Sold in China



Source: IHS Markit Report

Autonomous driving technology requires significant testing before commercialization. Test vehicles are driven for millions of kilometers to generate large data sets, which are evaluated by specialized engineers and machine learning models to improve the autonomous driving technology. In China, local road and traffic conditions are different from other major geographical markets, and autonomous driving systems require extensive local data accumulation to reflect the unique road conditions and formulate solutions tailored for the China market.

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Connectivity and OTA are increasingly popular

In-vehicle connectivity features and AI assistants have become more prevalent in recent years. Connected infotainment systems are evolving towards a more personalized and content-rich lifestyle experience, and AI assistants are capable of conversational interactions, further enhancing the in-car experience. According to the IHS Markit Report, the penetration of in-vehicle AI assistants is forecasted to grow significantly in China in the next few years.

OTA is another important aspect of in-vehicle technologies. OTA provides a convenient and cost-efficient method of remotely upgrading vehicle software systems. It allows car owners to continuously enjoy more functions and better user experience throughout the vehicle lifecycle. It is especially challenging for automotive companies to deploy OTA firmware updates due to the complexity in system integration and design. Such updates require strong capabilities in software and hardware integration and E/E architecture. Besides, traditionally, users can only activate firmware OTA update when they aboard the vehicle. Few companies, however, have enabled the scheduling of firmware OTA via mobile app, while not using the vehicle, which brings convenience and better user experience to car owners.

Chinese government support for smart vehicles

The Chinese government has set out its vision for the smart and connected vehicles in the NEV Industry Development Plan. Specific strategic goals include (i) achieving mass commercialization of high-level of autonomous driving for specific scenarios by 2025; and (ii) strengthening the research and development of the key auto parts and systems in relation to connected vehicles.

COMPETITIVE LANDSCAPE OF CHINA'S NEV AND EV MARKET

We are subject to intense competition from both incumbent OEMs and other emerging pure-play EV companies. We are also subject to competition from other forms of NEVs as well as ICE vehicles to some extent.

In the NEV industry, there were 54 automotive OEM brands that sold 1,000 or more units of NEVs in China in 2020, and in aggregate they accounted for 99.1% of the market share in the China NEV market in 2020. The following table sets forth the top 5 OEM brands by NEV sales volume, regardless of selling prices, in China in 2020.

Market share of top 5 OEM brands in China's NEV market in 2020

Ranking	Company	Market Shares
1	Company C	15.1%
2	Company E	11.0%
3	Company A	10.5%
4	Company B	5.2%
5	Company O	4.6%

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According to IHS Markit, XPeng had a market share of 2.0% in the China NEV market and 4.7% in the mid- to high-end segment of the China NEV market in 2020.

According to IHS Markit, there were 45 auto OEM brands that had sold 1,000 units or more EVs in China in 2020, and in aggregate they accounted for 98.7% of the market share in the China EV market in 2020.

The following table sets forth the top 15 OEM brands by EV sales volume, regardless of selling prices, in China in 2020:

Market share of top 15 OEM brands in China's EV market in 2020

Ranking	Company	Market Shares
1	Company A	15.4%
2	Company E	12.2%
3	Company C	10.8%
4	Company B	7.4%
5	Company F	5.6%
6	Company G	5.0%
7	Company H	4.5%
8	Company I	4.1%
9	Company J	3.5%
10	Company D	3.1%
11	Company K	2.8%
12	XPeng	2.8%
13	Company L	2.8%
14	Company M	1.8%
15	Company N	1.7%

According to IHS Markit, the mid- to high-end EV sales reached 375 thousand units in 2020, accounting for 38.3% of the total EV sales in China. The following table sets forth the top five OEM brands in the mid- to high-end segment in terms of EV sales volume in 2020:

Market share of top 5 OEM brands in the mid- to high-end EV segment in 2020

Ranking	Company	Market Shares
1	Company A	30.1%
2	Company B	16.8%
3	Company C	10.6%
4	XPeng	6.6%
5	Company D	6.3%

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SOURCE OF INFORMATION

In connection with the Global Offering, we commissioned IHS Markit to conduct research, provide an analysis of, and to produce a market research report on the electric vehicle market in China. Unless and except as otherwise specified, all of the market and industry information and statistics presented in this section are derived from the IHS Markit Report.

Formed in 2016 through a merger of IHS Inc. and Markit Ltd., IHS Markit is an independent global information company that provides the insights, software, and data to help customers with expertise across some of the world's largest industries. We have agreed to pay a total fee of US\$297,000 for the preparation and use of the IHS Markit Report. In preparing the IHS Markit Report, IHS Markit relied on internal databases and external resources. External resources consist of both primary and secondary research resources. Primary research is the primary mode in which IHS Markit engages with the automotive ecosystem. The primary research covers long range mobility format, sales and production forecasts to short and mid-range sales, production, capacity and component technology or sourcing forecasts. IHS Markit coordinates and interconnects its databases and forecasts on a global scale to ensure consistency in methodology. Secondary research resources involve public databases, industry websites and other online or print capabilities. Databases such as primary registration feeds from government entities, sales and production tracking from industry associations and bodies as well as collaboration with specific industry sectors within specific capabilities help IHS Markit build out the range of capabilities. IHS Markit also maintains a news and analysis database to utilize both publicly available articles and sources on all facets of the industry.

IHS Markit prepared the IHS Markit Report utilizing several forecast and database methodologies to build out future industry, technology and volume forecasts over several timeframes. Though the majority of effort is focused on the automotive sector, forecasts on energy, chemical economic and country risk as well as maritime and financial sectors are vital to IHS Markit's ongoing forecasts. In most cases a combination of top-down (macro, cyclical and socio-economic factors) are considered to build a top view. Additionally, bottom-up methodology is utilized to understand capacity, technology, sourcing and process limitations to the overall forecasts.

Our Directors have confirmed, after making reasonable inquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the IHS Markit Report, which may qualify, contradict or impact the information in this Industry Overview section.

REGULATORY ENVIRONMENT

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

REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment Law

The establishment, operation and management of companies are mainly governed by the PRC Company Law (《中華人民共和國公司法》), as last amended in 2018, which applies to both PRC domestic companies and foreign-invested companies. On March 15, 2019, the National People's Congress approved the Foreign Investment Law (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the implementing rules both took effect on January 1, 2020 and replaced three major previous laws on foreign investments in the PRC, namely, the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The implementing rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the implementing rules.

The Foreign Investment Law and the implementing rules provide that a system of pre-entry national treatment and negative list shall be applied for the administration of foreign investment, where “pre-entry national treatment” means that the treatment given to foreign investors and their investments at market entry stage is no less favorable than that given to domestic investors and their investments, and “negative list” means the special administrative measures for foreign investment's entry to specific fields or industries, which will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. Foreign investments beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited fields as specified in the negative list, and foreign investors who invest in the restricted fields shall comply with the special requirements on the shareholding, senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalog of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

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According to the implementing rules, the registration of foreign-invested enterprises shall be handled by the State Administration for Market Regulation, or the SAMR, or its authorized local counterparts. Where a foreign investor invests in an industry or field subject to licensing in accordance with laws, the relevant competent government department responsible for granting such license shall review the license application of the foreign investor in accordance with the same conditions and procedures applicable to PRC domestic investors unless it is stipulated otherwise by the laws and administrative regulations, and the competent government department shall not impose discriminatory requirements on the foreign investor in terms of licensing conditions, application materials, reviewing steps and deadlines, etc.

Pursuant to the Foreign Investment Law and the implementing rules, and the Information Reporting Measures for Foreign Investment (《外商投資信息報告辦法》) jointly promulgated by the Ministry of Commerce and the SAMR, which took effect on January 1, 2020, a foreign investment information reporting system shall be established and foreign investors or foreign-invested enterprises shall report investment information to competent commerce departments of the government through the enterprise registration system and the enterprise credit information publicity system, and the administration for market regulation shall forward the above investment information to the competent commerce departments in a timely manner.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

Foreign Investment Restrictions on Value-added Telecommunications Services

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄》(2020年版)), as promulgated by the NDRC and the Ministry of Commerce and taking effect on January 27, 2021, and the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》), or the 2020 Foreign Investment Negative List, as promulgated by the NDRC and the Ministry of Commerce and taking effect on July 23, 2020. Industries not listed in these two catalogs are generally deemed “permitted” for foreign investments unless specifically restricted by other PRC laws.

According to the 2020 Foreign Investment Negative List and the Administrative Regulations on Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) as last amended in February 2016, the equity interest of foreign investors in the value-added telecommunications enterprises shall not exceed 50%, except for the investment in the e-commerce operation business, domestic multi-party communication business, information storage and re-transmission business and call center business, and the primary foreign investor in a foreign invested value-added telecommunications enterprise must have a good track record and operational experience in the industry.

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In 2006, the predecessor to the Ministry of Industry and Information Technology, or the MIIT, issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), according to which a foreign investor in the telecommunications service industry in the PRC must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. This circular further requires that: (i) the PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications businesses operation license to a foreign investor through any form of transaction or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications enterprise must have the necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license; and (iv) all providers of value-added telecommunications services are required to maintain network and internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its license for value-added telecommunications business.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

The Telecommunications Regulations (《中華人民共和國電信條例》), or the Telecommunications Regulations, as last amended in February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licenses prior to the commencement of its operations. The Telecommunications Regulations distinguish “basic telecommunications services” from “value-added telecommunications services.” Value-added telecommunications services are defined as telecommunications and information services provided through public networks. A catalog was issued as an attachment to the Telecommunications Regulations (《電信業務分類目錄》) to categorize telecommunications services as either basic or value-added, according to which, both of the internet information services and data processing and transaction processing services are classified as value-added telecommunications businesses.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), promulgated by the MIIT in 2009 and last amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these measures, a commercial operator of value-added telecommunications services must first obtain a license from the MIIT or its provincial level counterpart, which must identify the specific type of value-added telecommunications services it provides, or else such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains. In case of serious violations, the operator’s websites may be ordered to be closed.

Internet information service is a type of value-added telecommunications service in the current catalog attached to the Telecommunications Regulations, as last updated in June 2019. Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was

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promulgated by the State Council on September 25, 2000, and amended on January 8, 2011, “internet information services” refers to the provision of information through the internet to online users, and they are categorized into “commercial internet information services” and “non-commercial internet information services.” A commercial internet information services operator must obtain a value-added telecommunications services license for internet information services, which is known as an ICP License, from the relevant government authorities before engaging in any commercial internet information services operations. No ICP License is required if the operator will only provide internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, an ICP License has a term of five years and can be renewed within 90 days before expiration.

In addition, the provision of commercial internet information services on mobile internet applications is regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》), or the Mobile Application Administrative Provisions, which was promulgated by the State Internet Information Office on June 28, 2016 and took effective on August 1, 2016. The information service providers of mobile internet applications are subject to requirements under these provisions, including acquiring the qualifications required by laws and regulations and being responsible for information security.

REGULATIONS RELATING TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The Standing Committee of the National People’s Congress, or the SCNPC, enacted the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, which was amended on August 27, 2009 and may subject persons to criminal liabilities in the PRC for any attempt to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In addition, on December 16, 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which took effect on December 30, 1997 and were amended by the State Council on January 8, 2011 and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating license and shut down its websites.

The Network Security Law (《中華人民共和國網絡安全法》), which was promulgated in November 2016 and took effect on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The

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Network Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and the social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Network Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under the Network Security Law may subject an internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which took effect on March 1, 2006. These measures require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was issued by the MIIT in December 2011 and took effect in March 2012, an internet information service provider may not collect any personal information on a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious leak, report to the telecommunications regulatory authority immediately.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), which was issued by the SCNPC and took effect in December 2012, and the Order for the Protection of Telecommunications and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), which was issued by the MIIT in 2013, any collection and use of a user's personal information must be subject to the consent of the user, be legal, rational and necessary and be limited to specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Any violation of these laws and regulations may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

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Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued in 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued in 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations. In addition, according to the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of the Law in Handling Criminal Cases Involving Crimes of Illegally Using the Information Network or Providing Aid for Criminal Activities regarding Information Network (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》) issued in 2019, a violator refusing to perform the obligation of safety management for the information network, causing the disclosure of user information, and falling under one of the following circumstances shall be deemed "causing serious consequences" as prescribed under the PRC Criminal Law: (i) causing the disclosure of not less than 500 pieces of location information, communication content, credit information, and property information; (ii) causing the disclosure of not less than 5,000 pieces of accommodation information, communication records, health and physiological information, transaction information and other user information that may affect personal or property safety; (iii) causing the disclosure of not less than 50,000 pieces of user information other than the information set forth in items (i) and (ii); (iv) causing the disclosure of user information which quantity does not meet the standards set forth in items (i), (ii) and (iii), but meets the relevant quantity standards after conversion at the corresponding proportion in aggregate; (v) causing deaths, serious injuries, mental disorders or kidnapping of others, or other serious consequences; (vi) causing material economic losses; (vii) seriously disturbing the social order; or (viii) causing other serious consequences.

Pursuant to the Mobile Application Administrative Provisions, an internet app program provider must verify a user's mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet app provider must not enable functions that can collect a user's geographical location information, access user's contact list, activate the camera or recorder of the user's mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant app programs, unless it has clearly indicated to the user and obtained the user's consent on such functions and app programs. If an app provider violates the regulations, the internet app store service provider must take measures to stop the violations, including giving a warning, suspension of release, withdrawal of the app from the platform, keeping a record of the incident and reporting the incident to the relevant governmental authorities.

On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the

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SAMR jointly issued the Measures for Determining the Illegal Collection and Use of Personal Information through Apps (《App違法違規收集使用個人信息行為認定方法》), which aims to provide reference for supervision and administration departments and provide guidance for app operators' self-examination and self-correction and social supervision by netizens, and further elaborates the forms of behavior constituting illegal collection and use of the personal information through apps including: (i) failing to publish the rules on the collection and use of personal information; (ii) failing to explicitly explain the purposes, methods and scope of the collection and use of personal information; (iii) collecting and using personal information without the users' consent; (iv) collecting personal information unrelated to the services it provides and beyond necessary principle; (v) providing personal information to others without the users' consent; and (vi) failing to provide the function of deleting or correcting the personal information according to the laws or failing to publish information such as ways of filing complaints and reports.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC(《中華人民共和國數據安全法》), which will become effective on September 1, 2021. The Data Security Law establishes a classified and tiered system for data protection in terms of the data's importance for economic and social development and the potential harm to national security, public interest or lawful rights and interests of individuals and organizations caused by illegal use of such data. The "important data" as determined by the competent governmental authorities shall be treated with higher level of protection, and the data relating to safeguard national security and interest and perform international obligations shall be imposed with export control by the state. In addition, the Data Security Law provides that important data processors shall appoint a data security officer and a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties to the data transactions and keep the records accordingly. Violation of Data Security Law may subject the relevant entities or individuals to warning, fines, business suspension, revocation of permits or business licenses, or even criminal liabilities. Since the Data Security Law is relatively new, uncertainties still exist in relation to its interpretation and implementation.

REGULATION RELATING TO MANUFACTURING NEW ENERGY PASSENGER VEHICLES AND COMPULSORY PRODUCT CERTIFICATION

Under the PRC laws, a newly-established manufacturer of new energy passenger vehicles shall first complete the filings with the competent local counterpart of the NDRC, and thereafter obtain the entry approvals from the MIIT, for itself and the new energy passenger vehicles to be manufactured by them.

On June 2, 2015, the NDRC and the MIIT promulgated the Administrative Measures for Newly-established Manufacturers of Pure Electric Passenger Vehicles (《新建純電動乘用車企業管理規定》), or Circular 27, which took effect on July 10, 2015. According to Circular 27, a newly-established manufacturer for pure electric passenger vehicles shall satisfy specific requirements including, among others, having complete vehicle research and development capabilities, power systems and other necessary technologies, and shall obtain the NDRC approval with respect to the project investments in manufacturing the pure electric passenger vehicles. According to the Administrative Measures for Investment in Automobile Industry (《汽車產業投資管理規定》), which was subsequently promulgated by the NDRC on December 10, 2018 and took effect on January 10, 2019, the projects in relation to newly-established manufacturer for pure electric passenger vehicles shall be filed with the competent provincial counterpart of the NDRC, which supersedes the requirement of obtaining the approval from the NDRC under Circular 27.

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In addition, according to the Administrative Measures for the Entry of Manufacturers of New Energy Passenger Vehicles and the Products (《新能源汽车生产企业及产品准入管理规定》) as promulgated by the MIIT on January 6, 2017 and last amended on July 24, 2020, the MIIT is responsible for the national-wide administration of new energy vehicles and their manufacturers. The manufacturers shall apply to the MIIT for the entry approval to become a qualified manufacturer and shall further apply to the MIIT for the entry approval for the new energy passenger vehicles before commencing the manufacturing and sale of the new energy passenger vehicles. Both of the new energy passenger vehicles and their manufacturers will be listed in the Announcement of the Vehicle Manufacturers and Products issued by the MIIT from time to time, or the Manufacturers and Products Announcement, if they have obtained the entry approval from the MIIT.

To obtain the entry approvals from the MIIT, the manufacturers shall meet certain requirements, including, among others, having obtained the approvals or completed the filings with the NDRC in relation to the project investments in manufacturing the electric vehicles, having capabilities in the design, development and manufacture of automotive products, ensuring product consistency, providing after-sales service and product safety assurance, and the new energy vehicles shall meet the technical criteria contained in the Administrative Measures for the Entry of Manufacturers of New Energy Passenger Vehicles and the Products and other safety and technical requirements specified by the MIIT and pass the inspections conducted by the relevant state-recognized testing institutions. Any manufacturer manufacturing the new energy vehicles without obtaining the entry approval or selling new energy vehicles not listed in the Manufacturers and Products Announcement may be subject to penalties including fines, forfeiture of illegally manufactured and sold vehicles and spare parts and revocation of its business licenses.

Furthermore, according to the Administrative Regulations on Compulsory Product Certification (《强制性产品认证管理规定》) as promulgated by the General Administration of Quality Supervision, Inspection and Quarantine, or the QSIQ, which was merged into the SAMR afterwards, on July 3, 2009 and became effective on September 1, 2009 and the List of the First Batch of Products Subject to Compulsory Product Certification as promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee, or the CAA, on December 3, 2001, and became effective on the same day, QSIQ are responsible for the quality certification of vehicles. Vehicles and the relevant accessories must not be sold, exported or used in operating activities unless they are certified by certification authorities designated by CAA as qualified products and granted certification marks.

FAVORABLE GOVERNMENT POLICIES FOR NEW ENERGY VEHICLES

Government Subsidies for New Energy Vehicles Purchasers

On April 22, 2015, the Ministry of Finance, the Ministry of Science and Technology, or the MOST, the MIIT and the NDRC jointly promulgated the Circular on Financial Subsidies on the Promotion and Application of New Energy Vehicles from 2016 to 2020 (《财政部、科技部、工业和信息化部、发展改革委關於2016-2020年新能源汽车推广應用財政支持政策的通知》), or the New Energy Vehicle Financial Subsidies Circular, which took effect on the same day. The New Energy Vehicle Financial Subsidies Circular provides that those who purchase new energy vehicles specified in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application (《新能源汽车推广應用推薦車型目錄》) issued by the MIIT, may enjoy government subsidies. A purchaser may purchase a new energy vehicle from a manufacturer by paying the price deducted by the subsidy amount, and the manufacturer may obtain

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the subsidy amount from the PRC central government after such new energy vehicle is sold to the purchaser. Furthermore, a preliminary phase-out schedule for the provision of subsidies during the period from 2016 to 2020 contained in New Energy Vehicle Financial Subsidies Circular specifies that the subsidy amount per vehicle, or subsidy criteria, for the year 2017 to 2018 will be reduced by 20% compared to that of the year 2016, and the subsidy criteria for the year 2019 to 2020 will be reduced by 40% compared to that of the year 2016.

On December 29, 2016, the Ministry of Finance, the MOST, the MIIT and NDRC jointly promulgated the Circular on Adjusting the Subsidy Policies on Promotion and Application of New Energy Vehicles (《財政部、科技部、工業和信息化部、發展改革委關於調整新能源汽車推廣應用財政補貼政策的通知》), which became effect on January 1, 2017, to enhance the technical requirements and adjust the subsidy criteria of qualified new energy vehicles in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application. This circular caps the subsidy amount from the local governments at 50% of the subsidy amount from the central government, and further specifies that national and local subsidies for purchasers purchasing new energy vehicles (except for fuel cell vehicles) from 2019 to 2020 will be reduced by 20% as compared to the then-existing subsidy standards. the Ministry of Finance, the MOST, the MIIT and the NDRC promulgated a series of circulars in 2018 and 2019 to further adjust the technical requirements and subsidy criteria of new energy vehicles eligible for government subsidies.

On April 23, 2020, the Ministry of Finance, the MOST, the MIIT and the NDRC jointly issued the Circular on Improving Subsidy Policies on Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》), which took effect on the same day, or the 2020 New Energy Vehicle Financial Subsidies Circular, which extends the implementation period of financial subsidy policy for new energy vehicles to the end of 2022. The 2020 New Energy Vehicle Financial Subsidies Circular further specifies that the subsidy criteria for new energy vehicles during the period from year 2020 to 2022 will generally be reduced by 10%, 20% and 30% compared to the subsidy standard of the previous year respectively, and the number of vehicles eligible for the subsidies will not exceed approximately two million each year. Furthermore, on December 31, 2020, the abovementioned authorities further promulgated another circular to reiterate the principles including among others, the subsidy criteria reduction rate as stipulated in the 2020 New Energy Vehicle Financial Subsidies Circular.

Exemption of Vehicle Purchase Tax for Purchasing New Energy Vehicles

On December 26, 2017, the Ministry of Finance, the State Administration of Taxation, or the SAT, the MIIT and the MOST jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle (《關於免徵新能源汽車車輛購置稅的公告》), pursuant to which, from January 1, 2018 to December 31, 2020, the vehicle purchase tax is not imposed on purchases of qualified new energy vehicles listed in the Catalog of New Energy Vehicle Models Exempted from Vehicle Purchase Tax (《免徵車輛購置稅的新能源汽車車型目錄》) jointly issued by MIIT and the SAT. On April 16, 2020, the Ministry of Finance, the SAT and the MIIT further promulgated the Announcement on Relevant Policies for the Exemption of Vehicle Purchase Tax for New Energy Vehicles (《關於新能源汽車免徵車輛購置稅有關政策的公告》), which further extend the exemption period for the vehicle purchase tax of new energy vehicles to December 31, 2022.

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REGULATIONS RELATING TO PARALLEL CREDITS POLICY ON VEHICLE MANUFACTURERS AND IMPORTERS

On September 27, 2017, the MIIT, the Ministry of Finance, the Ministry of Commerce, the General Administration of Customs and the QSIQ jointly promulgated the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》), which were last amended on June 15, 2020 and took effective on January 1, 2021. Pursuant to the measures, the vehicle manufacturers and vehicle importers above a certain scale are required to maintain their new energy vehicles credits, or NEV credits, above zero. The NEV credits equal to the aggregate actual scores of a vehicle manufacturer or a vehicle importer minus its aggregate targeted scores calculated in a manner as stipulated under the measures. Excess positive NEV credits are tradable and may be sold to other enterprises through a credit management system established by the MIIT. Negative NEV credits can be offset by purchasing excess positive NEV credits from other manufacturers or importers.

According to these measures, the requirements on the NEV credits shall be considered for the entry approval of passenger vehicle manufacturers and products by the regulators. If a passenger vehicle enterprise fails to offset its negative credits, its new products which fuel consumption does not reach the target fuel consumption value for a certain vehicle models as specified in the Evaluation Methods and Indicators for the Fuel Consumption of Passenger Vehicles (《乘用車燃料消耗量評價方法及指標》) will not be listed in the Manufacturers and Products Announcement or will not be granted the compulsory product certification, and the vehicle enterprises may be subject to penalties according to the relevant rules and regulations.

REGULATION RELATING TO ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

Pursuant to the Guiding Opinions of the General Office of the State Council on Accelerating the Promotion and Application of the New Energy Vehicles (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) which took effect on July 14, 2014, the Guiding Opinions of the General Office of the State Council on Accelerating the Construction of Charging Infrastructure of the Electric Vehicle which took effect on September 29, 2015 and the Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020) (《電動汽車充電基礎設施發展指南(2015—2020年)》) which took effect on October 9, 2015, the PRC government encourages the construction and development of charging infrastructure for electric vehicles, such as charging stations and battery swap stations, and requires relevant local authorities to adopt simplified construction approval procedures and expedite the approval process. In particular, only newly-built centralized charging and battery replacement power stations with independent land occupation are required to obtain the construction approvals and permits from the relevant authorities. Government guidance price should be implemented in managing the rate of the charging service fees before the year 2020. Furthermore, the Circular on Accelerating the Development of Electric Vehicle Charging Infrastructure in Residential Areas (《關於加快居民區電動汽車充電基礎設施建設的通知》) jointly promulgated by the NDRC, the National Energy Administration, the MIIT and the Ministry of Housing and Urban-Rural Development on July 25, 2016 provides that charging infrastructures in residential areas should be covered by product liability insurance policies and charging safety liability insurance policies, and operators of electric vehicle charging and battery swap infrastructure facilities are required to be covered under safety liability insurance policies. In addition, various local governmental authorities have

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from time to time implemented measures to encourage the construction and development of the electric vehicle charging infrastructure.

On January 11, 2016, the Ministry of Finance, the MOST, the MIIT, the NDRC and the National Energy Administration jointly promulgated the Circular on Incentive Policies on the Charging Infrastructure of New Energy Vehicles and Strengthening the Promotion and Application of New Energy Vehicles (《“十三五”新能源汽車充電設施獎勵政策及加強新能源汽車推廣應用公開徵求意見的通知》) during the 13th Five-year Plan Period, pursuant to which, the central finance department is expected to provide certain local governments with funds and subsidies for their construction and operation of charging facilities and charging infrastructures as well as their extensive promotion and application of new energy vehicles from the year 2016 to 2020. In addition, various local governmental authorities have formulated and implemented financial support policies to provide appropriate subsidies for charging facilities construction projects.

REGULATION RELATING TO AUTOMOBILE SALES AND CONSUMER RIGHTS PROTECTION

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and last amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, 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 the production or sale of the products and may be subject to confiscation of the products and fines. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, the violator's business license may be revoked. Pursuant to the Regulations on the Administration of Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), which was issued by the State Council on October 22, 2012 and amended on March 2, 2019, together with the relevant implementing measures as issued by the SAMR, or the Recall Regulations, manufacturers shall recall all defective vehicles in accordance with requirements contained therein; otherwise, the product quality supervision department of the State Council shall order manufacturers to recall accordingly. Furthermore, on November 23, 2020, the SAMR issued a Circular on Further Strengthening the Regulation on the Recall of Automobile with Over-The-Air (OTA) Technology (《關於進一步加強汽車遠程升級(OTA)技術召回監管的通知》), or the OTA Recall Circular, pursuant to which automobile manufacturers that provide technical services to sold vehicles through OTA technology are required to complete filings with the SAMR in accordance with the Recall Regulations, and for technical services through OTA implemented from January 1, 2020 to the date of issuance of the OTA Recall Circular, the automobile manufacturers shall make supplementary filings with the SAMR before December 31, 2020. In addition, if an automobile manufacturer uses OTA technology to eliminate defects and recalls its defective products, it shall make a recall plan and complete a filing with the SAMR in accordance with the Recall Regulations.

According to the Administrative Measures on Automobile Sales (《汽車銷售管理辦法》) promulgated by the Ministry of Commerce on April 5, 2017, which took effect on July 1, 2017, automobile suppliers and dealers shall sell vehicles, spare parts and other related products that are in compliance with relevant provisions and standards of the state, and the dealers shall, in an appropriate manner, expressly

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indicate the prices of vehicles, spare parts and other related products as well as the rates of charges for various services on their business premises, and shall not sell products at higher prices or charge other fees without express indication. Automobile suppliers and dealers are required to file the basic information through the information management system for the national automobile circulation operated by the competent commerce department of the State Council within 90 days after the receipt of a business license. Where there is any change to the filed information, automobile suppliers and dealers must update such information within 30 days upon such change.

Furthermore, the Consumer Rights and Interests Protection Law (《消費者權益保護法》), as promulgated on October 31, 1993 and last amended in 2013 by the SCNPC, imposes stringent requirements and obligations on business operators. Failure to comply with the consumer protection requirements could subject the business operators to administrative penalties including warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

REGULATION RELATING TO ONLINE TAXI BOOKING SERVICES

On July 27, 2016, the Ministry of Transport, the MIIT, the Ministry of Public Security, the Ministry of Commerce, the SAMR and the Cyberspace Administration of China jointly promulgated the Interim Measures for the Management of Online Ride Hailing Operation and Service (《網絡預約出租汽車經營服務管理暫行辦法》), which took effect on November 1, 2016 and was last amended on December 28, 2019, to regulate the business activities of the online ride hailing services and ensure the safety for the passengers by establishing a regulatory system for the platforms, vehicles and drivers engaged in the online ride hailing services. Before carrying out online ride hailing services, an online ride hailing service platform shall obtain the permit for online ride hailing business and complete the record filing of internet information services with the provincial communications administration in the place of its enterprise registration. Such platform shall be capable of exchanging and processing the relevant information and data with its servers located within China, establish sound operational management system, work safety management system and service quality assurance system, and fulfill other conditions as prescribed. Platforms that conduct the online ride hailing business without obtaining necessary permit may be subject to an order of correction, a warning by the local authority, a fine of RMB10,000 to RMB30,000, or even criminal liabilities if a violation constitutes a crime. Vehicles used for the online ride hailing services shall also satisfy certain conditions such as the installation with satellite positioning and emergency alarming devices and the satisfaction of operational safety criteria in order to obtain the transportation permit for vehicles used for online ride hailing services. The Interim Measures for the Management of Online Ride Hailing Operation and Service also impose certain requirements on drivers engaged in the online ride hailing services, including, among others, a driving experience of more than three years and no criminal offense or violent crime record. Drivers shall meet the prescribed conditions and pass the relevant exams before they can obtain the driver's license for online ride hailing services. Platforms may be subject to an order of correction and a fine of RMB5,000 to RMB10,000, and in severe case a fine of RMB10,000 to RMB30,000, if the relevant vehicle or driver providing the online ride hailing services has not obtained the applicable permit. Various local governmental authorities have also promulgated implementing rules to further stipulate the detailed requirements for online ride hailing service platforms, vehicles and drivers.

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REGULATIONS RELATING TO AUTONOMOUS DRIVING VEHICLES

The MIIT, the Ministry of Public Security and the Ministry of Transport issued the Circular on the Norms on Administration of Road Testing of Autonomous Driving Vehicles (Trial Implementation) (《智能網聯汽車道路測試管理規範（試行）》) in April 2018, which became effective from May 1, 2018 and is the primary regulation governing protocol of road testing of autonomous driving vehicles in the PRC. Pursuant to this circular, any entity intending to conduct a road testing of autonomous driving vehicles must apply for and obtain a road-testing certificate and a temporary license plate for each tested vehicle. To qualify for these required licenses, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of vehicles and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the tested vehicles; (ii) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human driving mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (iv) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (v) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. During testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the relevant authority supervising the road-testing of autonomous cars in that region. In addition, the testing entity is required to submit to the road-testing certificate issuing authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the road-testing certificate issuing authority within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident.

REGULATIONS RELATING TO LAND AND THE DEVELOPMENT OF CONSTRUCTION PROJECTS

Land Use Rights

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (《城鎮國有土地使用權出讓和轉讓暫行條例》), which was promulgated by the State Council in May 1990 and amended in November 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to

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use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the above regulations and the Urban Real Estate Administration Law (《城市房地產管理法》) promulgated by the SCNPC in July 1994 and last amended in August 2019, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

Construction Projects

Pursuant to the Regulations on Planning Administration Regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a construction land planning permit should be obtained from the municipal planning authority with respect to the planning and use of land. Pursuant to the Urban and Rural Planning Law (《城鄉規劃法》) promulgated by the SCNPC in October 2007 and last amended in April 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above pursuant to the Administrative Provisions on Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014 and last amended in March 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction in April 2000 and amended in October 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the Ministry of Housing and Urban-Rural Development in December 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent government department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law (《環境保護法》) promulgated by the SCNPC in December 1989 and last amended in April 2014, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation, and other hazards produced during such activities.

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Environmental protection authorities impose various administrative penalties on persons or enterprises in violation of the Environmental Protection Law. Such penalties include warnings, fines, orders to rectify within a prescribed period, orders to cease construction, orders to restrict or suspend production, orders to make recovery, orders to disclose 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 PRC laws. In addition, environmental organizations may also bring lawsuits against any entity that discharges pollutants detrimental to the public welfare.

REGULATIONS RELATING TO WORK SAFETY AND FIRE CONTROL

Under relevant construction safety laws and regulations, including the Work Safety Law (《安全生產法》), which was promulgated by the SCNPC in June 2002 and last amended in August 2014, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards. Automobile and components manufacturers are subject to such environment protection and work safety requirements.

Pursuant to the Fire Safety Law (《消防法》) as promulgated by the SCNPC in April 1998 and last amended in April 2019 and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development in April 2020, the construction entity of a large-scale crowded venue (including the construction of a manufacturing plant whose size is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Copyright and Software Products

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law (《中華人民共和國著作權法》) and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was last amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

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Trademarks

Registered trademarks are protected under the Trademark Law (《中華人民共和國商標法》) and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Names

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Patents

Patents in the PRC are principally protected under the Patent Law (《中華人民共和國專利法》). The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

REGULATIONS RELATING TO EMPLOYMENT

Pursuant to the Labor Law (《中華人民共和國勞動法》) and the Labor Contract Law (《中華人民共和國勞動合同法》), employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

In addition, according to the Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》), employers in the PRC must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

REGULATIONS RELATING TO ANTI-MONOPOLY

The currently effective Anti-Monopoly Law (《中華人民共和國反壟斷法》) was promulgated by the SCNPC in 2007. Pursuant to the Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council and it prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

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Monopoly Agreement

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, fixing the price of commodities for resale to third parties, among others, unless the agreement will satisfy the exemptions under the Anti-monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized undertakings, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Sanctions for violations include an order to cease the relevant activities, and confiscation of illegal gains and fines (from 1% to 10% of sales revenue from the previous year, or RMB500,000 if the intended monopoly agreement has not been performed).

On June 26, 2019, the SAMR further issued the Interim Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議暫行規定》) which took effect on September 1, 2019 and supersedes certain anti-monopoly rules and regulations previously issued by the SAIC.

Abuse of Dominant Market Position

A business operator with a dominant market position may not abuse its dominant market position to conduct acts, such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for violation of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year).

On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》) which took effect on September 1, 2019 to further prevent and prohibit the abuse of dominant market positions.

Concentration of Undertakings

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to RMB500,000.

REGULATIONS RELATING TO FOREIGN EXCHANGE

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Foreign Exchange Administration Regulations (《外匯管理條例》), which was last amended in 2008. Under PRC foreign

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exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of the PRC.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or Circular 59, which substantially amends and simplifies the foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In 2013, SAFE specified that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular of SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 replaced both the Circular of SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or Circular 142, and the Circular of SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》), or Circular 36. Circular 19 allows all foreign-invested enterprises established in the PRC to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments and removes certain other restrictions that had been provided in Circular 142. However, Circular 19 continues to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises. SAFE promulgated the Notice of SAFE on Reforming and Standardizing the

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Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》), or Circular 16, effective in June 2016, which reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16's interpretation and implementation in practice. Circular 19 or Circular 16 may delay or limit us from using the proceeds of offshore offerings to make additional capital contributions to our PRC subsidiaries and any violations of these circulars could result in severe monetary or other penalties.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) banks must check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records and audited financial statements, and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment.

On October 23, 2019, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Notice 28, which permits non-investment foreign-invested enterprises to use their capital funds to make equity investments in the PRC, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the SAFE Notice 28 was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in the PRC. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in the PRC by PRC residents or entities through special purpose vehicles, namely, establishing foreign-invested enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch.

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In 2015, SAFE Notice 13 amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than 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. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. An amendment to the registration is required if there is a material change with respect to the special purpose vehicle registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with SAFE registration requirements described above, or making misrepresentations or failing to disclose the control of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Stock Incentive Plans

SAFE promulgated the Circular of SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, in February 2012. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants in a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants.

In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents.

Dividend Distribution

The principal laws, rules and regulations governing dividends distribution by companies in the PRC are the PRC Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the Foreign Investment Law and the implementing rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested

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companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. Companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was promulgated by the National People's Congress on March 16, 2007, took effect on January 1, 2008 and was last amended on December 29, 2018, and its implementing rules, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. The Enterprise Income Tax Law and its implementation rules permit certain High and New Technologies Enterprises to enjoy a reduced 15% enterprise income tax rate subject to these enterprises meeting certain qualification criteria.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the SAT, on April 22, 2009, taking effect on January 1, 2008, and last amended on December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China. On July 27, 2011, the SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which took effect on September 1, 2011 and was last amended in June 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures. The PRC Enterprise Income Tax Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and other jurisdictions. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), or the Double Tax Avoidance Arrangement, promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is the beneficial owner of the dividends and is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in

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Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) promulgated by the SAT and taking effect on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The SAT promulgated the Notice on Issues Concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) in February 2018, which took effect in April 2018 and provided that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration.

Business Tax and Value-added Tax

Before August 2013 and pursuant to then applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay business tax at the rate of 5% on the revenues generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

Since January 1, 2012, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), or the VAT Pilot Plan, which imposes value-added tax (the “VAT”) in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the implementation circulars released by the Ministry of Finance and the SAT on the VAT Pilot Plan, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. According to the Notice of the Ministry of Finance and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-added Tax in an All-round Manner (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the Ministry of Finance and the SAT and taking effect on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets in the PRC are required to pay VAT instead of business tax.

According to the Provisional Regulations on Value-added Tax (《增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017, and the Implementing Rules of the Provisional Regulations on Value-added Tax (《增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and last amended on October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay VAT. On April 4, 2018, the Ministry of Finance and the SAT issued the Circular on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which took effect on May 1, 2018. According to the abovementioned circular, the taxable goods previously subject to VAT rates of 17% and 11% respectively became subject to lower VAT rates of 16% and 10% respectively starting from May 1, 2018. Furthermore, according to the Announcement on Relevant Policies for Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the SAT and the General Administration of Customs, which took effect on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively became subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

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REGULATIONS RELATING TO M&A AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies including the Ministry of Commerce, the China Securities Regulatory Commission, or the CSRC, and SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》), or the M&A Rules, which took effect on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operating the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are one of China's leading Smart EV companies which design, manufacture and market Smart EVs in China. Our mission is to drive Smart EV transformation with technology and data and shape the mobility experience of the future. Our history began in 2015 with the establishment of Chengxing Zhidong, a PRC limited liability company. We have since then been led by our founders, Mr. Xiaopeng He, Mr. Heng Xia and Mr. Tao He, who have deep expertise in the technology and automotive industries. Under the leadership of the founders, the Group launched two models of Smart EV, the G3 and the P7, in 2018 and 2020 respectively, and have achieved high business growth since the Group commenced its Smart EV sales in the fourth quarter of 2018.

To facilitate our initial public offering in the United States, we undertook a reorganization (the "Reorganization"). As part of the Reorganization, we incorporated XPeng Inc., an exempted company incorporated under the laws of Cayman Islands, in December 2018. XPeng Inc., the new holding company of the Group, conducts businesses through its subsidiaries and variable interest entities controlled by the Company by virtue of Contractual Arrangements.

In August 2020, we listed our ADSs on the NYSE under the symbol "XPEV."

BUSINESS MILESTONE

The following is a summary of our key business milestones:

Year	Event
2015	Chengxing Zhidong was founded.
2017	Entered into our Series A, Series A1 and Series A2 financing arrangements, with an aggregate amount of RMB1,232 million
2018	Entered into our Series B, Series B1 and Series B2 financing arrangements, with an aggregate amount of RMB6,200 million. The Company was founded as a part of the Reorganization to facilitate an initial public offering in the United States. Commenced delivery of the Company's first Smart EV model, the G3.
2019 to 2020	Entered into our Series C and Series C+ financing arrangements for an aggregate amount of more than USD1,300 million.
2020	Commenced delivery of the Company's second Smart EV model, the P7. Completed our initial public offering and listing on the NYSE as well as a follow-on offering.
2021	Rolled out navigation guided pilot (NGP) for highway driving, a function of XPILOT 3.0 which is the Company's latest proprietary autonomous driving system released in January, via OTA firmware update.

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The following subsidiaries are of strategical importance to us or have made material contributions to our results of operations during the Track Record Period:

<u>Name of Subsidiary</u>	<u>Place and Date of Incorporation</u>	<u>Share Capital</u>	<u>Shareholding Control by our Company</u>	<u>Principal Business</u>
XPeng Limited	BVI, January 7, 2019	USD100	100%	Investment holding
XMotors. AI, Inc.	U.S., October 17, 2017	USD10,000	100%	Research and development
XSense. AI, Inc.	U.S., November 27, 2018	USD100	100%	Research and development
XPeng (Hong Kong) Limited	Hong Kong, February 12, 2019	HKD1	100%	Investment holding
XMotors Limited	Hong Kong, November 2, 2017	HKD10,000	98.6%	Investment holding
Chengxing Zhidong	PRC, January 9, 2015	RMB3,267.48 million	98.6%	Investment holding
Zhaoqing Xiaopeng Automobile Co., Ltd. (肇慶小鹏汽車有限公司)	PRC, May 18, 2017	RMB1,500 million	98.6%	Vehicle manufacturing
Xiaopeng Technology	PRC, May 12, 2016	RMB6,126.32 million	98.1%	Research and development
Xiaopeng Automobile Sales Co., Ltd. (小鹏汽車销售有限公司)	PRC, January 8, 2018	RMB1,500 million	98.6%	Vehicle and accessories sales and after-sale services
Guangdong Xiaopeng Motors Technology Co., Ltd. (廣東小鹏汽車科技有限公司)	PRC, June 21, 2019	RMB15,000 million	100%	Investment holding

HISTORY AND CORPORATE STRUCTURE

<u>Name of Subsidiary</u>	<u>Place and Date of Incorporation</u>	<u>Share Capital</u>	<u>Shareholding Control by our Company</u>	<u>Principal Business</u>
Zhaoqing Xiaopeng New Energy Investment Co., Ltd. (肇慶小鹏新能源投資有限公司)	PRC, February 14, 2020	RMB1,000 million	49.3%*	Vehicle manufacturing
Xiaopeng Automotive Services Co., Ltd. (小鹏汽車服務有限公司)	PRC, February 12, 2018	RMB50 million	100%	Comprehensive vehicle services
Beijing Xiaopeng Automobile Co., Ltd. (北京小鹏汽車有限公司)	PRC, April 28, 2018	RMB50 million	98.6%	Vehicle and accessories sales and after-sale services; Research and development
Shanghai Xiaopeng Automobile Sales Service Co., Ltd. (上海小鹏汽車銷售服務有限公司)	PRC, October 10, 2018	RMB10 million	98.6%	Vehicle and accessories sales and after-sale services
Shenzhen Xiaopeng Automobile Sales Service Co., Ltd. (深圳小鹏汽車銷售服務有限公司)	PRC, August 6, 2018	RMB50 million	98.6%	Vehicle and accessories sales and after-sale services
Hangzhou Xiaopeng Automobile Co., Ltd. (杭州小鹏汽車有限公司)	PRC, August 23, 2018	RMB50 million	98.6%	Vehicle and accessories sales and after-sale services
Zhipeng IoV	PRC, May 23, 2018	RMB10 million	Controlled through contractual arrangements	Research and development
Yidian Chuxing	PRC, May 24, 2018	RMB10 million	Controlled through contractual arrangements	Research and development

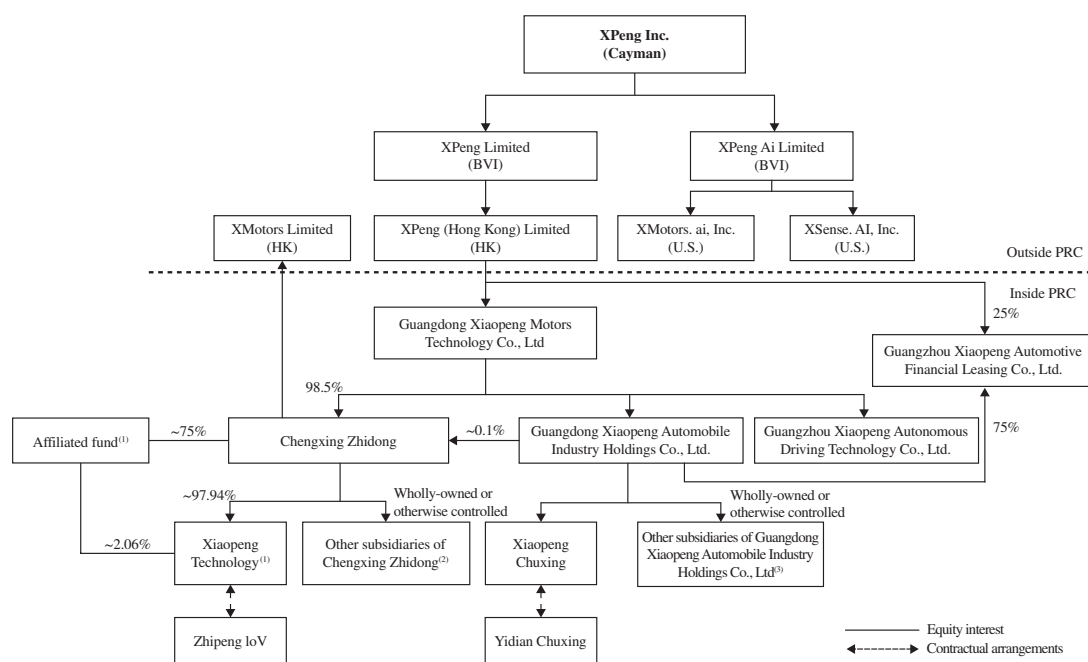
HISTORY AND CORPORATE STRUCTURE

Name of Subsidiary	Place and Date of Incorporation	Share Capital	Shareholding Control by our Company	Principal Business
Beijing Hengxin Shiguang Automotive Service Co., Ltd. (北京恆信時光汽車服務有限公司)	PRC, March 24, 2009	RMB12 million	100%	Car rental services

* Each of Zhaoqing Xiaopeng Automobile Co., Ltd., which is a wholly-owned subsidiary of the Company, and Zhaoqing Kumpeng Motor Technology Co., Ltd. (肇慶鯤鵬汽車技術有限公司, “Zhaoqing Kumpeng”), which is jointly owned by Mr. Heng Xia and Mr. Tao He, holds 50% of the equity interest of Zhaoqing Xiaopeng New Energy Investment Co., Ltd. According to the share transfer agreement between Zhaoqing Xiaopeng Automobile Co., Ltd. and Zhaoqing Kumpeng dated February 13, 2020, Zhaoqing Kumpeng shall transfer the 50% of the equity interest of Zhaoqing Xiaopeng New Energy Investment Co., Ltd. to Zhaoqing Xiaopeng Automobile Co., Ltd. at the price of the higher of (i) RMB1 or (ii) the capital injection actually paid by Zhaoqing Kumpeng upon the earlier of (i) the removal of the PRC foreign investment restrictions in whole-unit vehicle industry; and (ii) December 31, 2022. Zhaoqing Kumpeng shall complete the companies registry registration of the share transfer within five business days after the condition of the transaction being met, and Zhaoqing Xiaopeng Automobile Co., Ltd. shall make the payment within 60 days after the companies registry information being updated. Zhaoqing Kumpeng shall also ensure it has the full legal title to the equity interest, which shall be free of encumbrance. According to memorandum of association of Zhaoqing Xiaopeng New Energy Co., Ltd., the board of directors of Zhaoqing Xiaopeng New Energy Co., Ltd. shall comprise of a sole executive director, which shall be nominated by Zhaoqing Xiaopeng Automobile Co., Ltd., As such, the Company controls the composition of the board of directors of Zhaoqing Xiaopeng New Energy Co., Ltd. and consolidate it as a subsidiary.

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure as of the Latest Practicable Date. Certain entities have been omitted. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%.



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) We have the option to acquire the remaining 0.5% equity interest in Xiaopeng Technology from the affiliate fund, in which we hold 75.5% of the economic interest and which is managed by an Independent Third Party, and the affiliate fund has the right to require us to purchase such equity interest, in or before September 2022 at a purchase price equal to its initial investment plus an investment yield.
- (2) Includes (i) 63 subsidiaries that are wholly-owned by Chengxing Zhidong, (ii) three subsidiaries and two limited partnership of which a majority equity interest is held by Chengxing Zhidong, and (iii) one subsidiary, of which a 50% equity interest is held by Chengxing Zhidong. Chengxing Zhidong and its subsidiaries are primarily involved in research and development, manufacturing and selling our Smart EVs and providing after-sales services.
- (3) Includes (i) 13 subsidiaries that are wholly-owned by Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd. and (ii) one subsidiary, of which 73.8% equity interest is held by Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd.. Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd. and its subsidiaries are primarily involved in providing value-added services.

INVESTMENT BY GUANGDONG YUECAI INDUSTRY INVESTMENT FUND PARTNERSHIP (LIMITED PARTNERSHIP) (“GUANGDONG UTRUST”) IN CHENGXING ZHIDONG

Pursuant to the share purchase agreement dated March 12, 2021 (the “**Agreement**”), signed among Chengxing Zhidong, Chengxing Zhidong’s shareholders (i.e. Guangdong Xiaopeng Motors Technology Co., Ltd. and Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd, both of which are wholly owned subsidiaries of the Company) and Guangdong Utrust, Guangdong Utrust subscribed for shares newly issued by Chengxing Zhidong at a consideration of RMB500 million. Immediately after the completion of such share subscription, Guangdong Utrust would hold approximately 0.3% of equity interest in Chengxing Zhidong. The consideration was fully paid by Guangdong Utrust on March 16, 2021. The share subscription by Guangdong Utrust was legally completed on May 20, 2021.

Pursuant to the terms of the Agreement, conditional upon any entity affiliated with Chengxing Zhidong being granted a listing approval by any stock exchange within 3 years after March 16, 2021, Guangdong Utrust is entitled to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the shares of Chengxing Zhidong held by it for cash such that it could choose to use any part of the relevant funds, subject to the consent of Guangdong Xiaopeng Motors Technology Co., Ltd., to participate in the international placing tranche of such public offering. Under the share purchase agreement, no guaranteed allocation of such public offering shares will be granted to Guangdong Utrust.

On June 11, 2021, Guangdong Utrust notified Chengxing Zhidong that it irrevocably undertakes not to exercise the rights under the Agreement to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the shares of Chengxing Zhidong held by it in connection with the proposed listing of the Company on the Stock Exchange. Accordingly, Guangdong Utrust will remain as a shareholder of Chengxing Zhidong in respect of its entire investment in Chengxing Zhidong immediately after Listing.

SHAREHOLDING CHANGES OF OUR COMPANY AND OUR MAJOR OPERATING SUBSIDIARIES AND VARIABLE INTEREST ENTITIES

Please see “Statutory and General Information – C. Further Information about our Company and our subsidiaries and Variable Interest Entities – 2. Changes in share capital of our Company” and “Statutory and

HISTORY AND CORPORATE STRUCTURE

General Information – C. Further Information about our Company and our subsidiaries and Variable Interest Entities – 3. Changes in the share capital of our major operating subsidiaries and Variable Interest Entities” in Appendix IV to this prospectus for details of changes in the share capital of our Company and our major operating subsidiaries and variable interest entities during the two years immediately preceding the date of this prospectus.

MAJOR ACQUISITIONS

Acquisition of Guangzhou Delong

On July 3, 2018, we acquired 100% of the equity interests of Guangzhou City Delong Automotive Services Co., Ltd. (廣州市德隆汽車服務有限公司, “**Guangzhou Delong**”) from an Independent Third Party for a cash consideration of RMB4,900,000 (the “**Delong Acquisition**”). The consideration was determined after arms’ length negotiation among the parties based on (i) the amount of registered capital of Guangzhou Delong; (ii) the value of 100% equity interests of Guangzhou Delong as of December 31, 2017; and (iii) a deduction to take into account the then outstanding tax liability of Guangzhou Delong and has been fully settled in cash on August 8, 2019.

Guangzhou Delong is engaged in the business of, among other things, concurrent-business insurance agency. We believe the Delong Acquisition could supplement to our business by enhancing our comprehensive vehicle services capacity.

Acquisition of Beijing Hengxin

On September 4, 2018, we acquired 100% of the equity interests of Beijing Hengxin Shiguang Automotive Service Co., Ltd. (北京恒信時光汽車服務有限公司, “**Beijing Hengxin**”) from Independent Third Parties for a cash consideration of RMB33,978,952 (inclusive of tax) pursuant to a share purchase agreement dated August 4, 2018 (as supplemented on November 14, 2018) (the “**Hengxin Acquisition**”). The consideration was determined after arms’ length negotiation among the parties based on (i) the assets and liabilities of Beijing Hengxin and (ii) the number of vehicles and license plates owned by Beijing Hengxin and has been fully settled in cash on June 21, 2019.

Beijing Hengxin is engaged in the business of, among other things, the provision of car rental services. We believe the Hengxin Acquisition could supplement our business by enhancing our comprehensive vehicle services capacity.

Acquisition and subsequent disposal of Guangdong Fudi

On March 12, 2020, Zhaoqing Xiaopeng New Energy Investment Co., Ltd., (肇慶小鵬新能源投資有限公司, “**Xiaopeng New Energy**”) of which we hold 50% of the Shares, entered into a share transfer agreement with Independent Third Parties to acquire 100% equity interest in Guangdong Fudi Motor Co., Ltd. (廣東福迪汽車有限公司, “**Guangdong Fudi**”) for a cash consideration of RMB510 million with the view to enhancing our vehicle manufacturing capability. The consideration was determined based on arms’ length negotiation among the parties and has been fully settled in August 2020.

HISTORY AND CORPORATE STRUCTURE

On June 6, 2020, after the business integration with Guangdong Fudi and the transfer of the key assets of Guangdong Fudi to Xiaopeng New Energy were completed, Xiaopeng New Energy entered into a share transfer agreement with Independent Third Parties to dispose of 100% equity interest in Guangdong Fudi for a cash consideration of RMB16 million, so as to compensate for the investment cost from the initial acquisition. The consideration was determined based on the arms' length negotiation among the parties based on the remaining value of Guangdong Fudi, and RMB10 million and RMB6 million of the consideration has been settled in cash in June 2020 and November 2020 respectively. The acquisition and the subsequent disposal have been properly and legally completed with all relevant approvals duly obtained.

Acquisition of Zhitu Technology

On May 20, 2021, we entered into a restructuring agreement to acquire 100% of the equity interest of Jiangsu Zhitu Technology Co., Ltd. (江蘇智途科技股份有限公司, 832282.NEEQ, “**Zhitu Technology**”) with cash consideration of RMB250 million through the bankruptcy procedures of the Zhitu Technology. Before its trading halt, the shares of Zhitu Technology were traded on over PRC National Equity Exchanges and Quotations and Zhitu Technology published its financial information on the website of PRC National Equity Exchanges and Quotations on regular basis according to relevant rules and regulations. Zhitu Technology is primarily engaged in the operation of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps and possesses Surveying and Mapping Qualification Certificate. The consideration of the transaction has been determined based on arm's length negotiation with the liquidator of Zhitu Technology and its creditors, as well as the value of the residue assets of Zhitu Technology. The Company believes the acquisition of Zhitu Technology will contribute to research and development of its autonomous driving techniques, which involve the collection and processing of map information in China and hence require the Surveying and Mapping Qualification Certificate. The consideration will be paid with the Company's proprietary fund. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhitu Technology and its ultimate beneficial owner are third parties independent of the Company and the Company's connected persons. On May 31, 2021, the PRC court approved the restructuring plan of Zhitu Technology and the closing of the acquisition is expected to be on or around June 21, 2021 and shortly before the date of the prospectus.

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular 37, promulgated by SAFE and which became effective on July 14, 2014, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the overseas SPV, including, among other things, a change of overseas SPV's PRC resident shareholder(s), the name of the overseas SPV, terms of operation, or any increase or reduction of the overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

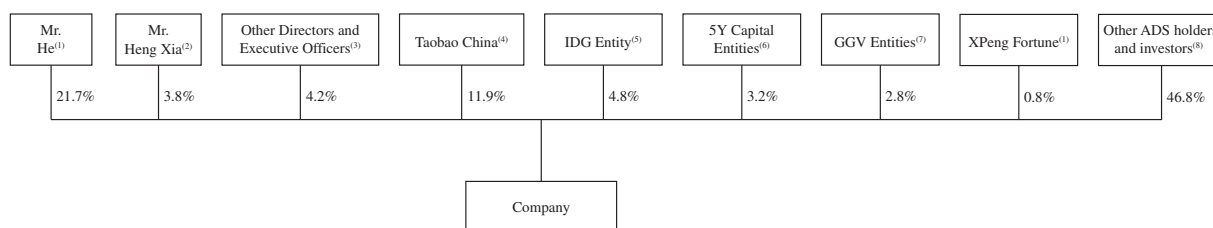
HISTORY AND CORPORATE STRUCTURE

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and effective on June 1, 2015, the power to accept foreign exchange registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Adviser, Mr. Xiaopeng He, Mr. Heng Xia, and Mr. Tao He, who are PRC residents, completed the foreign exchange registration in 2019 under SAFE Circular 37.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart illustrates our shareholding structure based on our register of members as of the Latest Practicable Date and without taking into account the 7,413,480 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under our 2019 Equity Incentive Plan:



Notes:

- (1) Represents (i) 327,708,257 Class B ordinary shares held by Simplicity Holding Limited, and (ii) 21,000,000 Class B ordinary shares held by Respect Holding Limited. Both Simplicity Holding Limited and Respect Holding Limited are wholly-owned by Mr. He. For the avoidance of doubt, since May 27, 2021, Mr. He was no longer entrusted with the voting power and joint dispositive power over the 13,550,190 Class A ordinary shares held by XPeng Fortune. Therefore, since May 27, 2021, he has no longer been considered as being interested in the Shares held by XPeng Fortune.
- (2) Represents (i) 61,137,879 Class B ordinary shares, and (ii) 12,580 Class A ordinary shares held by Efficiency Investment Limited. Efficiency Investment Limited is wholly-owned by Mr. Heng Xia.
- (3) Represents the 48,083,364 Class A ordinary shares and 20,000,000 Class B ordinary shares held by our Directors and officers (including the shareholding of Mr. Tao He (何濤) and Mr. Hongdi Brian Gu (顧宏地), both of whom will resign from directorship with effect from Listing) other than Mr. Xiaopeng He and Mr. Heng Xia. For the avoidance of doubt, 20,000,000 Class B ordinary shares beneficially owned by Mr. Tao He will be converted into Class A ordinary shares on one-on-one basis upon the completion of the Global Offering.
- (4) Represents (i) 178,618,464 Class C ordinary shares held by Taobao China, and (ii) 13,300,000 Class A ordinary shares represented by ADSs owned by Taobao China. Taobao China is a wholly-owned subsidiary of Alibaba Group Holding Limited (BABA.NYSE and 9988-SW.HK). Class C ordinary shares held by Taobao China will be converted to Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering.
- (5) Represents 77,350,175 Class A ordinary shares held by Pacific Rays Limited. Pacific Rays Limited is wholly owned by Shanghai Keji Enterprise Management Partnership (LLP). Shanghai Keji Enterprise Management Partnership (LLP) is controlled by Tianjin Hexie Qingyu Investment Management Partnership (LLP), its general partner. Tianjin Hexie Qingyu Investment Management Partnership (LLP) is controlled by Xizang Qingyu Venture Capital Management Co., Ltd., its general partner. Xizang Qingyu Venture Capital Management Co., Ltd. is wholly owned by four individuals, including Kuiguang Niu, Dongliang Lin, Fei Yang and Jingbo Wang, who have the voting power and dispositive power over the shares held by Pacific Rays Limited. Pacific Rays Limited is referred to as the IDG Entity.

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Founded in 1992, IDG Capital is a pioneer in introducing foreign venture capital into China. During its 20 years of operation, IDG Capital brings a powerful combination of global perspective and local experience to investment management, and its highly skilled team has an in-depth understanding of the China market with close relationships with many successful entrepreneurs and influential business leaders. IDG Capital-led funds focus on the following strategic sectors: technology, media and telecommunications (TMT), advanced manufacturing, clean-tech & energy, consumer & entertainment, and healthcare.

- (6) Represents 51,876,700 Class A ordinary shares, including (i) 30,573,450 Class A ordinary shares held by Morningside TMT Holding IV Limited, (ii) 7,287,250 Class A ordinary shares held by Morningside Special IV Hong Kong Limited, (iii) 346,050 Class A ordinary shares held by Evolution Fund I Co-investment, L.P., (iv) 2,306,975 Class A ordinary shares held by Evolution Special Opportunity Fund I, L.P., and (v) 11,362,975 Class A ordinary shares held by CX TMT Holding IV Limited. Morningside TMT Holding IV Limited is wholly-owned by Morningside China TMT Fund IV, L.P., or Morningside Fund IV, and Morningside China TMT Fund IV Co-Investment, L.P., or Morningside Fund IV Co-Investment. Morningside Fund IV and Morningside Fund IV Co-Investment are controlled by Morningside China TMT GP IV, L.P., their general partner, which, in turn, is controlled by TMT General Partner Ltd. its general partner. Morningside Special IV Hong Kong Limited is wholly-owned by Morningside China TMT Special Opportunity Fund II, L.P., or Morningside Sidecar II, and Morningside Fund IV Co-Investment. Morningside Sidecar II is controlled by Morningside China TMT GP IV, L.P., its general partner, which, in turn, is controlled by TMT General Partner Ltd. its general partner. TMT General Partner Ltd. is controlled by its board consisting of five individuals, including Jianming Shi, Qin Liu, Gerald Lokchung Chan, Maria K. Lam and Makim Wai On Andrew Ma, who have the voting and dispositive powers over the shares held by Morningside TMT Holding IV Limited and Morningside Special IV Hong Kong Limited. Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P. are controlled by 5Y Capital GP Limited, their general partner. 5Y Capital GP Limited is controlled by its board consisting of three individuals, including Qin Liu, Wai Shan Wong and Riyaz Hussain Nooruddin, who have the voting and dispositive powers over the shares held by Evolution Special Opportunity Fund I, L.P. and Evolution Fund I Co-investment, L.P.. CX TMT Holding IV Limited is owned by Shanghai Chenxi Venture Capital Center (Limited Partnership), which is controlled by Shanghai Xingpan Investment Management Consulting Co., Ltd., its general partner. Shanghai Xingpan Investment Management Consulting Co., Ltd. is controlled by its investment committee consisting of three individuals, including Qin Liu, Jianming Shi and Yu Cheng who have the voting and dispositive powers over the shares held by CX TMT Holding IV Limited. Morningside TMT Holding IV Limited, Morningside Special IV Hong Kong Limited, Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P. and CX TMT Holding IV Limited are collectively referred to as the 5Y Capital Entities.

5Y Capital (formerly known as Morningside Venture Capital) is one of the first investment institutions in China engaged in early-stage venture investments. It currently manages approximately US\$5 billion in dual-currency funds in USD and RMB, backed by world-renowned sovereign wealth funds, family offices, fund of funds, university endowments, pensions and foundations.

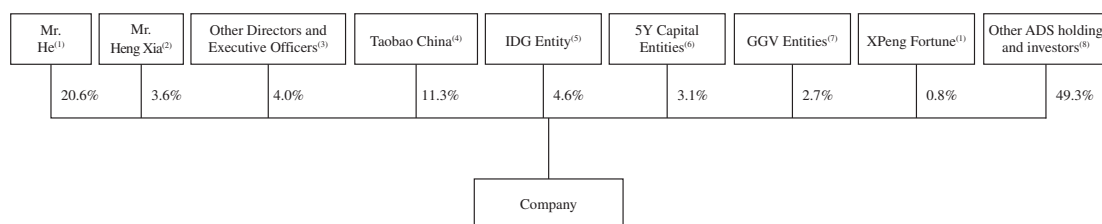
- (7) Represents 45,753,706 Class A ordinary shares, including (i) 34,546,287 Class A ordinary shares directly held or indirectly held through ADSs by GGV (XPeng) Limited; and (ii) 11,207,419 Class A ordinary shares held by Shanghai Yuanxin Enterprise Management Partnership (Limited Partnership) (collectively, the “GGV Entities”). GGV Entities, as sophisticated investors for the purpose of Guidance Letter HKEX-GL93-18, have undertaken to the Company to retain at least an aggregate of 50% of its shareholding at the time of Listing for a period of at least six months following the completion of the Global Offering.

Founded in 2000, GGV Capital is a venture capital firm focusing on seed-to-growth stage investments across consumer & new retail, Internet network services, frontier tech sectors, SaaS and cloud services. It currently has US\$9.2 billion under its management and business presence in Silicon Valley, San Francisco, Shanghai, Beijing and Singapore.

- (8) Represents shareholders who hold less than 1% of our issued share capital.

HISTORY AND CORPORATE STRUCTURE

The following chart illustrates our expected corporate and shareholding structure based on our register of members immediately after the completion of the Global Offering (assuming (i) all major shareholders' shareholding remain unchanged after the Latest Practicable Date and the Over-allotment Option is not exercised; and (ii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan, without taking into account the 7,413,480 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under our 2019 Equity Incentive Plan)⁽⁹⁾:



- (1) Represents (i) 327,708,257 Class B ordinary shares held by Simplicity Holding Limited and (ii) 21,000,000 Class B ordinary shares held by Respect Holding Limited.

See notes (2) to (8) for the chart above

- (9) Our Company will have a WVR structure immediately upon completion of the Global Offering through two classes of Shares (Class A ordinary shares and Class B ordinary shares). Therefore, the ownership percentage does not reflect Shareholders' voting rights upon completion of the Global Offering. Upon the completion of the Global Offering, Mr. He would be able to exercise approximately 64.8% of the aggregate voting rights, save for in respect of the Reserved Matters. See "Share Capital—Weighted Voting Rights Structure" and "Share Capital—Authorized and Issued Share Capital" for details.

PUBLIC FLOAT

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; and (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan, and without taking into account any Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), the following persons, (i) Directors and chief executive officer of our Company and subsidiaries who will hold their position and directorship on the Listing Date and own our Shares or ADSs by themselves or through shareholding vehicles; (ii) XPeng Fortune, which is controlled by our Company; (iii) Taobao China, will hold approximately 41% of our total issued Shares in aggregate, and such Shares will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

CONTRACTUAL ARRANGEMENT

Background

Our VIEs are (i) Zhipeng IoV, which is primarily engaged in the business of development and the operation of an Internet of Vehicles (IoV) network involving the XPeng App and, upon completion of the acquisition of Zhitu Technology, is also engaged in the operation of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps in the PRC; and (ii) Yidian Chuxing,

HISTORY AND CORPORATE STRUCTURE

which is primarily engaged in the business of provision of online-hailing services through online platform including the Youpeng Chuxing App. The operations of mobile apps constitute part and parcel of their principal businesses.

Under the PRC laws and regulations, the operation of our mobile apps involves provision of value-added telecommunication service in the PRC (the “**VATS Business**”), which is subject to foreign investment restrictions and license requirements, and the Prohibited Business is subject to foreign investment prohibitions and license requirements (together with the VATS Business, the “**Relevant Businesses**”). To comply with PRC laws and regulations, we operate the Relevant Businesses through our consolidated VIEs.

We have entered into a series of contractual arrangements with our consolidated VIEs and their respective shareholders, as described in more details below, which collectively enables us to (i) exercise effective control over our consolidated VIEs; (ii) receive substantially all the economic benefits of our consolidated VIEs; and (iii) have an exclusive option to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into our consolidated VIEs when and to the extent permitted by PRC law.

As a result of these Contractual Arrangements, we are the primary beneficiary of our consolidated VIEs. We have consolidated their financial results in our consolidated financial statements. In 2018, 2019 and 2020, we derived 0.001%, 1.6% and 0.5% of our revenues from our consolidated VIEs, respectively.

PRC Laws Relating to Foreign Investment Restrictions and Prohibitions

Restrictions and prohibitions on foreign ownership

Operation of the VATS Business requires the value-added telecommunication service operating license (the “**VATS License**”). Yidian Chuxing, our consolidated VIE, currently holds a VATS License for Internet information service, and Zhipeng IoV, another consolidated VIE, currently holds a VATS License for Internet information service and on-line data processing and transaction processing service.

The operation of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps in the PRC (the “**Prohibited Business**”) requires the Surveying and Mapping Qualification Certificate. Zhitu Technology currently holds a Surveying and Mapping Qualification Certificate for the Prohibited Business.

As advised by our PRC Legal Adviser, according to the Special Management Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施（負面清單）》), which was last amended on June 23, 2020 and subsequently became effective on July 23, 2020 and other applicable PRC laws, foreign investors are prohibited from holding any equity interest in an enterprise holding a Surveying and Mapping Qualification Certificate for the Prohibited Business, and foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise holding the VATS License for Internet information service like us, and to ensure the business operations of the consolidated VIEs are in compliance with applicable PRC laws and local authorities’ requirement, the Company or any of its

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overseas subsidiaries may not directly invest in our consolidated VIEs if it cannot satisfy the Qualification Requirements (as defined below).

Qualification Requirements for Foreign Investors Who Invests In Value-Added Telecommunication Services in the PRC

On December 11, 2001, the State Council promulgated the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was last amended in February 2016, according to which, foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, furthermore, the main foreign investor who invests in the value-added telecommunications services must possess prior experience in operating the value-added telecommunications services and a proven track record of business operations overseas (the “**Qualification Requirements**”). The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum provides that applicants should submit written statements about the main foreign investors’ experience and qualifications or that of their parents or subsidiaries in providing value-added telecommunications services. However, this guidance memorandum does not purport to provide an exhaustive list of the application requirements. Our PRC Legal Adviser has advised us that as of the Latest Practicable Date, no applicable PRC laws had provided clear guidance or interpretation on the Qualification Requirements, and the Qualification Requirements are subject to the MIIT’s review in substance.

During the verbal consultations with an officer of the MIIT conducted by our PRC Legal Advisor, the PRC legal advisor of the Joint Sponsors and us on April 19, 2021 and June 7, 2021 (the “**MIIT Consultations**”), the officer confirmed that (i) the Qualification Requirements apply to all kinds of VATS businesses regardless of the maximum percentage of foreign ownership allowed under applicable laws, (ii) if the main foreign investor cannot provide a proven track record of business operations overseas and prior experience in operating value-added telecommunications services, an application by such investor to hold equity interest in an entity that holds a VATS license would be refused, (iii) as of the Latest Practicable Date, no applicable PRC laws had provided procedures or guidance on how such Qualification Requirements could be met and what would constitute the required proven track record of business operations overseas and prior experience in operating value-added telecommunications services. Based on the MIIT Consultations, in the case of our Company, we are practically unable to obtain a VATS license through a Sino-foreign equity joint venture currently even if we meet the Qualification Requirements.

Despite the lack of PRC laws providing clear guidance on or interpretation of the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the relevant equity interests in our consolidated VIEs to the extent permitted by PRC laws. We have committed and will commit financial and other resources and implement all necessary measures to meet the Qualification Requirements, including:

- (a) we have registered certain intellectual properties outside of China for the promotion of our business overseas; and

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- (b) for the purpose of establishing and expanding our operations overseas, we have incorporated a number of overseas entities for the purposes of investment holding and provision of technology service overseas; and
- (c) we are preparing for establishing overseas websites or other forms of Internet platform.

We estimate the aggregate amount incurred for meeting the Qualification Requirements as of the Latest Practicable Date was approximately RMB3 million.

In the course of the above-mentioned consultation with the MIIT, the officer confirmed the above steps would be helpful to some extent for us to meet the Qualification Requirements in the future.

Subject to the discretion of the competent authority in determining whether our Group has fulfilled the Qualification Requirements, our PRC Legal Adviser is of the view that these steps above are reasonable and appropriate to comply with the Qualification Requirements.

To the best of our knowledge, having undertaken such due diligence that is available to us, only companies that are engaged in value-added telecommunication services with good track record of business operations overseas would be able to satisfy the Qualification Requirements and hold equity interest in its consolidated VIE that possesses the same VATS Licenses that we have. Our PRC Legal Advisor is of the view that other than such companies, no companies (including vehicle manufacturers like us) would be able to meet the Qualification Requirements and hold equity interest in its consolidated VIE with the same VATS Licenses that we have.

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and to enable our Group to combine the financial results of our consolidated VIEs which engage in the operation of the Relevant Businesses.

We will make periodic inquiries with the relevant PRC authorities and seek specific guidance as to the Qualification Requirements, as well as to understand any new regulatory developments. We will also, as applicable and when necessary, disclose our efforts and actions taken to comply with the Qualification Requirements and any updates to the specific guidance and new regulatory developments published by PRC authorities on the Qualification Requirements in our annual and interim reports to inform our shareholders after the Global Offering.

The Company confirms that it will (and will have measures in place to) ensure the revenue generated from Zhipeng IoV and Yidian Chuxing will remain immaterial after the Listing and their aggregate annual revenue contribution to the Group will be below 1%. Our audit committee will review the proportion of the revenue generated from Zhipeng IoV on an annual basis and will make adequate disclosure on an ongoing basis in our Company's annual report after the Listing.

In addition, the Company undertakes that it will make formal application to the MIIT for holding the maximum permitted equity interest in Zhipeng IoV and Yidian Chuxing under the 2020 Foreign Investment Negative List (the "MIIT Application") within three months after the Listing. Given that Zhipeng IoV will also be engaged in the Prohibited Business upon the completion of the acquisition of Zhitu Technology, the

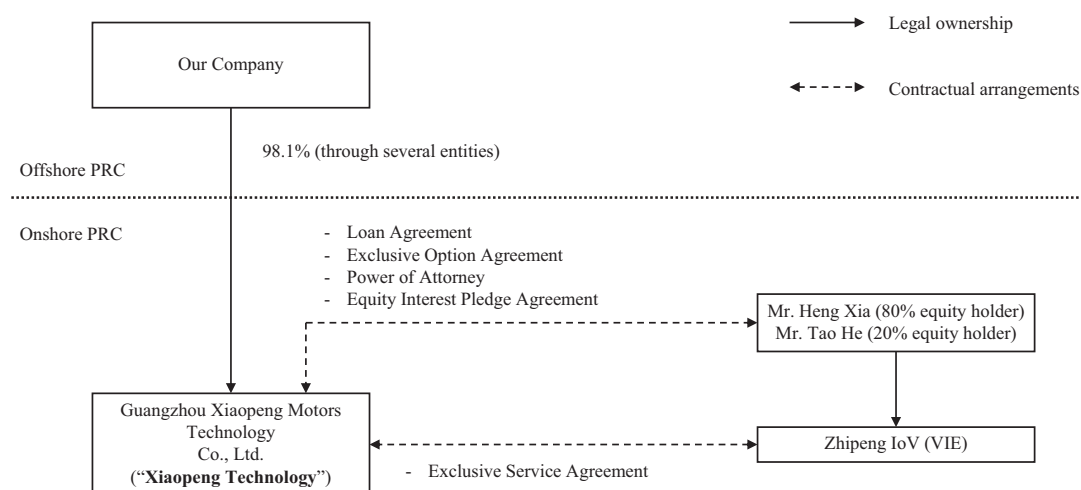
HISTORY AND CORPORATE STRUCTURE

Company also undertakes to separate the Prohibited Business and VATS Business and enter into additional contractual arrangements to control its consolidated VIEs before submitting the MIIT Application. The Company further undertakes to comply with all the requirements under Chapter 14A and other applicable Listing Rules with respect to the aforesaid adjustment to its contractual arrangements.

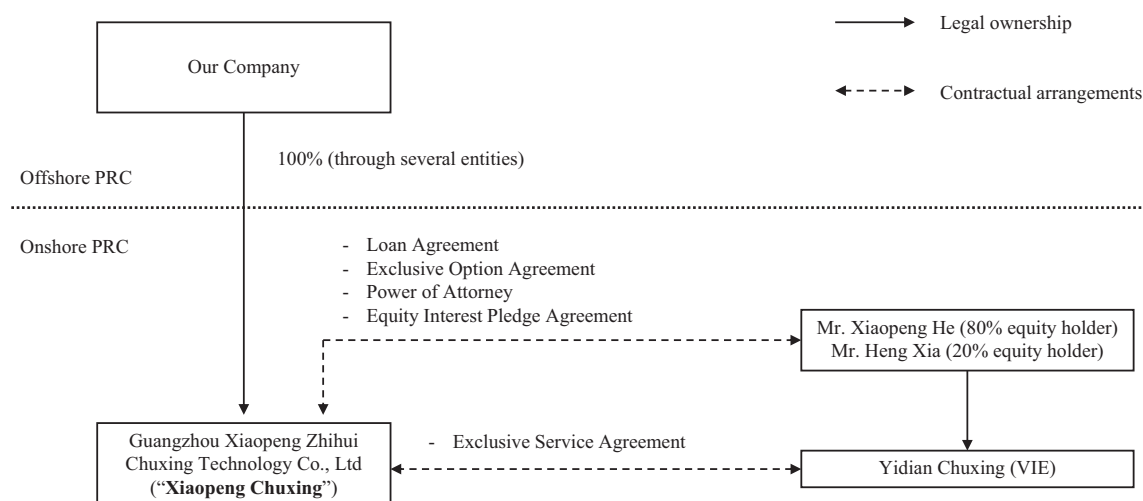
Our Contractual Arrangements

The following simplified diagrams illustrate the flow of economic benefits from our consolidated VIEs to our Group under the Contractual Arrangements:

Contractual Arrangements with Zhipeng IoV and its shareholders



Contractual Arrangements with Yidian Chuxing and its shareholders



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Summary of the material terms of the Contractual Arrangements

Contractual Arrangements with Zhipeng IoV and its shareholders

Exclusive Service Agreement

Under the exclusive service agreement executed on May 28, 2018 and later amended on April 20, 2021, Zhipeng IoV appoints Xiaopeng Technology as its exclusive services provider to provide Zhipeng IoV with services related to Zhipeng IoV's business during the term of the exclusive service agreement. In consideration of the services provided by Xiaopeng Technology, Zhipeng IoV shall pay Xiaopeng Technology annual fees, which should be mutually agreed by both parties and can be adjusted according to Xiaopeng Technology's suggestion to the extent permitted by PRC law. Unless terminated in accordance with the provisions of the exclusive service agreement or terminated in writing by Xiaopeng Technology, the exclusive service agreement shall remain effective for 20 years from May 28, 2018, and can be automatically renewed for one year every sequent year unless otherwise terminated in accordance with the terms of the exclusive service agreement or by a written notice served by Xiaopeng Technology. The exclusive service agreement also provides that Xiaopeng Technology has the exclusive proprietary rights in any and all intellectual property rights which are developed by Zhipeng IoV at the request of Xiaopeng Technology or are developed by the parties jointly. Our directors consider that the above arrangements will ensure the economic benefits generated from the operations of Zhipeng IoV will flow to Xiaopeng Technology and hence, our Group as a whole.

Loan Agreement

Pursuant to the loan agreement executed on May 28, 2018 and later amended on April 20, 2021, Xiaopeng Technology should provide the shareholders of Zhipeng IoV with a loan in the aggregate amount of RMB10.0 million to fund business activities as permitted by Xiaopeng Technology. The shareholders agree that the proceeds from the transfer of the equity interest of the shareholders in Zhipeng IoV, pursuant to the exercise of the right to acquire such equity interest by Xiaopeng Technology under the exclusive option agreement, may be used by the shareholders to repay the loan to the extent permitted under PRC law. The loan agreement will remain effective until the earlier of (i) 20 years after the execution date of the loan agreement, (ii) the expiry date of Xiaopeng Technology's licensed operating period; and (iii) the expiry date of Zhipeng IoV's licensed operating period. During the term of loan agreement, Xiaopeng Technology has the right, at its sole and absolute discretion, to accelerate maturity of loan at any time.

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreement executed on May 28, 2018 and later amended on April 20, 2021, each shareholder of Zhipeng IoV, has pledged all of such shareholder's equity interest in Zhipeng IoV as a security interest, as applicable, to respectively guarantee Zhipeng IoV and its shareholders' performance of their obligations under the relevant contractual arrangement, which include the exclusive service agreement, exclusive option agreement, power of attorney and loan agreement. If Zhipeng IoV or any of its shareholders breaches their contractual obligations under these agreements, Xiaopeng Technology, as pledgee, will be entitled to certain rights regarding the pledged equity interests. In the event of such breaches, upon giving written notice to Zhipeng IoV's shareholders, Xiaopeng

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Technology to the extent permitted by PRC laws may exercise the right to enforce the pledge, which is being paid in priority with the equity interest of Zhipeng IoV from the proceeds from auction or sale of the equity interest. Each of the shareholders of Zhipeng IoV agrees that, during the term of the equity interest pledge agreements, such shareholder shall not transfer the equity interest, place or permit the existence of any security interest or other encumbrance on the equity interest or any portion thereof, without the prior written consent of Xiaopeng Technology. Zhipeng IoV's shareholders may receive dividends distributed on the equity interest only with prior consent of Xiaopeng Technology. The equity interest pledge agreements remain effective until all obligations under the relevant contractual agreements have been fully performed or all secured indebtedness have been fully paid, whichever is later.

The equity pledge under the equity interest pledge agreement takes effect upon the completion of registration with the relevant PRC government authority. The registration of the equity interest pledge as required by the relevant laws and regulations has been completed in accordance with PRC laws.

Power of Attorney

Pursuant to the power of attorney executed on May 28, 2018 and later amended on April 20, 2021, each shareholder of Zhipeng IoV has irrevocably undertaken to appoint Xiaopeng Technology or its designated persons (including but not limited to directors and their successors and liquidators replacing but excluding those non-independent or who may give rise to conflict of interests) to exercise the following rights relating to all equity interests held by the shareholders of Zhipeng IoV during the term of the power of attorney: to act on behalf of such shareholder as its exclusive agent and as his attorney-in-fact to exercise such shareholder's rights in Zhipeng IoV according to the articles of association of Zhipeng IoV, including but not limited to, the rights to (i) convene and participate in shareholders' meeting pursuant to the articles of Zhipeng IoV in the capacity of a proxy of the shareholders of Zhipeng IoV; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at shareholders' meetings and the appointment and election of directors, supervisors and other senior management of Zhipeng IoV to be appointed by the shareholders, dispose the company assets, amend the articles of the consolidated VIEs and exercise the rights of the shareholders in the event of liquidation of Zhipeng IoV; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of the shareholders; (iv) to exercise rights of shareholders and any other voting rights of shareholders under the relevant PRC laws and regulations and the articles of associations of Zhipeng IoV, as amended; (v) subject to (ii), to sign and execute any related documents including but not limited to share transfer agreement, asset transfer agreement and shareholders resolutions when there is a transfer of shareholding in Zhipeng IoV by the shareholders in accordance with exclusive option agreement, assets transfer, capital reduction or capital increase in Zhipeng IoV; and (vii) to instruct the directors and senior officers to act in accordance with the instruction of Xiaopeng Technology and its designated persons.

Subject to other terms in the power of attorney, the power of attorney shall remain effective for 20 years from May 28, 2018, and can be automatically renewed for one year every sequent year. The power of attorney may be terminated by mutual agreement of the relevant parties in writing or when there is a breach of the power of attorney by Zhipeng IoV or its shareholders which is not remedied within a reasonable time or 10 days after being requested to remedy the breach.

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Exclusive Option Agreement

Pursuant to the exclusive option agreement executed on May 28, 2018 and later amended on April 20, 2021, Zhipeng IoV and each of Zhipeng IoV's shareholders have irrevocably granted Xiaopeng Technology an irrevocable and exclusive right to purchase, or designate one or more entities or persons to purchase the equity interests in Zhipeng IoV then held by its shareholders, and the assets of Zhipeng IoV, once or at multiple times at any time in part or in whole at Xiaopeng Technology's sole and absolute discretion to the extent permitted by PRC law. The purchase price for the equity interests in Zhipeng IoV shall equal to the amount of relevant registered capital contributed by the shareholders in Zhipeng IoV while the purchase price for the assets of Zhipeng IoV shall equal to the net book value of such assets, and if such amount in each case is lower than the minimum price permitted by PRC law, the minimum price permitted by PRC law shall be the purchase price. This agreement will remain effective until all equity interests of Zhipeng IoV held by its shareholders and all of Zhipeng IoV's assets have been transferred or assigned to Xiaopeng Technology or its designated entities or persons.

Subject to the relevant PRC laws and regulations, each of Zhipeng IoV's shareholders has also undertaken that he will return to Xiaopeng Technology any consideration he receives in the event that Xiaopeng Technology exercises the options under the exclusive option agreement to acquire the equity interests in Zhipeng IoV.

Further, pursuant to the exclusive option agreement, Zhipeng IoV and its shareholders have respectively undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from Xiaopeng Technology, including but not limited to matters including:

- (1) The shareholders shall not transfer or dispose in any manner the exclusive option or grant any security over or create any third party rights over the exclusive option;
- (2) Zhipeng IoV shall not increase or reduce the registered capital of the Company, or cause the Company to merge with other entity;
- (3) Zhipeng IoV shall not dispose of any material assets (other than in its ordinary course of business);
- (4) Zhipeng IoV shall not terminate any material contract or enter into any contract that will conflict with existing material contracts;
- (5) The shareholders shall not appoint or remove any director, supervisor or any other officer that should be appointed by them;
- (6) Zhipeng IoV shall not distribute any distributable profit, bonus or dividend;
- (7) Zhipeng IoV shall not take any action (including inaction) that will affect its continued existence or adopt any action that will lead to the possibility of its cessation of business, liquidation or dissolution;

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- (8) Zhipeng IoV shall not amend its articles; and
- (9) Zhipeng IoV shall not lend or borrow any fund, provide guarantee or any form of security, or undertake any substantial obligations other than in its ordinary business operation.

Contractual Arrangements with Yidian Chuxing and its shareholders

Exclusive Service Agreement

Under the exclusive service agreement executed on May 28, 2018 and later amended on April 20, 2021, Yidian Chuxing appoints Xiaopeng Chuxing as its exclusive services provider to provide Yidian Chuxing with services related to Yidian Chuxing's business during the term of the exclusive service agreement. In consideration of the services provided by Xiaopeng Chuxing, Yidian Chuxing shall pay Xiaopeng Chuxing annual fees, which should be mutually agreed by both parties and can be adjusted according to Xiaopeng Chuxing's suggestion to the extent permitted by PRC law. Unless terminated in accordance with the provisions of the exclusive service agreement or terminated in writing by Xiaopeng Chuxing, the exclusive service agreement shall remain effective for 20 years, starting from May 28, 2018, and can be automatically renewed for one year every sequent year unless otherwise terminated in accordance with the terms of the exclusive service agreement or by a written notice served by Xiaopeng Chuxing. The exclusive service agreement also provides that Xiaopeng Chuxing has the exclusive proprietary rights in any and all intellectual property rights which are developed by Yidian Chuxing at the request of Xiaopeng Chuxing or are developed by the parties jointly. Our Directors consider that the above arrangements will ensure the economic benefits generated from the operations of Yidian Chuxing will flow to Xiaopeng Chuxing and hence, our Group as a whole.

Loan Agreement

Pursuant to the loan agreement executed on May 28, 2018 and later amended on April 20, 2021, Xiaopeng Chuxing should provide the shareholders of Yidian Chuxing with a loan in the aggregate amount of RMB10.0 million to fund business activities as permitted by Xiaopeng Chuxing. The shareholders agree that the proceeds from the transfer of the equity interest of the shareholders in Yidian Chuxing, pursuant to the exercise of the right to acquire such equity interest by Xiaopeng Chuxing under the exclusive option agreement, may be used by the shareholders to repay the loan to the extent permitted under PRC law. The loan agreement will remain effective until the earlier of (i) 20 years after the execution date of the loan agreement, (ii) the expiry date of Xiaopeng Chuxing's licensed operating period; and (iii) the expiry date of Yidian Chuxing's licensed operating period. During the term of loan agreement, Xiaopeng Chuxing has the right, at its sole and absolute discretion, to accelerate maturity of loan at any time.

Equity Interest Pledge Agreement

Pursuant to the equity interest pledge agreement executed on May 28, 2018 and later amended on April 20, 2021, each shareholder of Yidian Chuxing, has pledged all of such shareholder's equity interest in Yidian Chuxing as a security interest, as applicable, to respectively guarantee Yidian Chuxing and its shareholders' performance of their obligations under the relevant contractual arrangement, which include the exclusive service agreement, exclusive option agreement, power of attorney and loan agreement. If

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Yidian Chuxing or any of its shareholders breaches their contractual obligations under these agreements, Xiaopeng Chuxing, as pledgee, will be entitled to certain rights regarding the pledged equity interests. In the event of such breaches, upon giving written notice to Yidian Chuxing's shareholders, Xiaopeng Chuxing to the extent permitted by PRC laws may exercise the right to enforce the pledge, which is being paid in priority with the equity interest of Yidian Chuxing from the proceeds from auction or sale of the equity interest. Each of the shareholders of Yidian Chuxing agrees that, during the term of the equity interest pledge agreements, such shareholder shall not transfer the equity interest, place or permit the existence of any security interest or other encumbrance on the equity interest or any portion thereof, without the prior written consent of Xiaopeng Chuxing. Yidian Chuxing's shareholders may receive dividends distributed on the equity interest only with prior consent of Xiaopeng Chuxing. The equity interest pledge agreements remain effective until all obligations under the relevant contractual agreements have been fully performed or all secured indebtedness have been fully paid, whichever is later.

The equity pledge under the equity interest pledge agreement takes effect upon the completion of registration with the relevant PRC government authority. The registration of the equity interest pledge as required by the relevant laws and regulations has been completed in accordance with PRC laws.

Power of Attorney

Pursuant to the power of attorney executed on May 28, 2018 and later amended on April 20, 2021, each shareholder of Yidian Chuxing has irrevocably undertaken to appoint Xiaopeng Chuxing or its designated persons (including but not limited directors and their successors and liquidators replacing but excluding those non-independent or who may give rise to conflict of interests) to exercise the following rights relating to all equity interests held by the shareholders of Yidian Chuxing during the term of the power of attorney: to act on behalf of such shareholder as its exclusive agent and as his attorney-in-fact to exercise such shareholder's rights in Yidian Chuxing according to the articles of association of Yidian Chuxing, including but not limited to, the rights to (i) convene and participate in shareholders' meeting pursuant to the articles of Yidian Chuxing in the capacity of a proxy of the shareholders of Yidian Chuxing; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at shareholders' meetings and the appointment and election of directors, supervisors and other senior management of Yidian Chuxing to be appointed by the shareholders, dispose the company assets, amend the articles of the consolidated VIEs and exercise the rights of the shareholders in the event of liquidation of the consolidated VIEs; (iii) sign or submit any required document, which shall include meeting minutes, to any company registry or other authorities in the capacity of a proxy of the shareholders; (iv) to exercise rights of shareholders and any other voting rights of shareholders under the relevant PRC laws and regulations and the articles of associations of Yidian Chuxing, as amended; (v) subject to (ii), to sign and execute any related documents including but not limited to share transfer agreement, asset transfer agreement and shareholders resolutions when there is a transfer of shareholding in Yidian Chuxing by the shareholders in accordance with exclusive option agreement, assets transfer, capital reduction or capital increase in Yidian Chuxing; and (vii) to instruct the directors and senior officers to act in accordance with the instruction of Xiaopeng Technology and its designated persons.

Subject to other terms in the power of attorney, the power of attorney shall remain effective for 20 years from May 28, 2018, and can be automatically renewed for one year every sequent year. The power of attorney may be terminated by mutual agreement of the relevant parties in writing or when there is a

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breach of the power of attorney by Yidian Chuxin or its shareholders which is not remedied within a reasonable time or 10 days after being requested to remedy the breach.

Exclusive Option Agreement

Pursuant to the exclusive option agreement executed on May 28, 2018 and later amended on April 20, 2021, Yidian Chuxing and each of Yidian Chuxing's shareholders have irrevocably granted Xiaopeng Chuxing an irrevocable and exclusive right to purchase, or designate one or more entities or persons to purchase the equity interests in Yidian Chuxing then held by its shareholders, and the assets of Yidian Chuxing, once or at multiple times at any time in part or in whole at Xiaopeng Chuxing's sole and absolute discretion to the extent permitted by PRC law. The purchase price for the equity interests shall equal to the amount of the relevant registered capital contributed by the shareholders in Yidian Chuxing while the purchase price for the assets of Yidian Chuxing shall equal to the net book value of such assets, and if such amount in each case is lower than the minimum price permitted by PRC law, the minimum price permitted by PRC law shall be the purchase price. This agreement will remain effective until all equity interests of Yidian Chuxing held by its shareholders and all of Yidian Chuxing's assets have been transferred or assigned to Xiaopeng Chuxing or its designated entities or persons.

Subject to the relevant PRC laws and regulations, each of Yidian Chuxing's shareholders has also undertaken that he will return to Xiaopeng Chuxing any consideration he receives in the event that Xiaopeng Chuxing exercises the options under the exclusive option agreement to acquire the equity interests in Yidian Chuxing.

Further, pursuant to the exclusive option agreement, Yidian Chuxing and its shareholders have respectively undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from Xiaopeng Chuxing, including but not limited to matters including:

- (1) The shareholders shall not transfer or dispose in any manner the exclusive option or grant any security over or create any third party rights over the exclusive option;
- (2) Yidian Chuxing shall not increase or reduce the registered capital of the Company, or cause the Company to merge with other entity;
- (3) Yidian Chuxing shall not dispose of any material assets (other than in its ordinary course of business);
- (4) Yidian Chuxing shall not terminate any material contract or enter into any contract that will conflict with existing material contracts;
- (5) The shareholders shall not appoint or remove any director, supervisor or any other officer that should be appointed by them;
- (6) Yidian Chuxing shall not distribute any distributable profit, bonus or dividend;
- (7) Yidian Chuxing shall not take any action (including inaction) that will affect its continued existence or adopt any action that will lead to the possibility of its cessation of business, liquidation or dissolution;

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- (8) Yidian Chuxing shall not amend its articles; and
- (9) Yidian Chuxing shall not lend or borrow any fund, provide guarantee or any form of security, or undertake any substantial obligations other than in its ordinary business operation.

Other Key Terms of the Contractual Arrangements

A description of other key terms that apply to the applicable agreements under the Contractual Arrangements is set out below:

Spouse Undertakings

In order to protect the Company's interests in the event of divorce of the shareholders of the consolidated VIEs, the spouse of each of the shareholders of the consolidated VIEs, where applicable, has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) she will not claim any equity interests in the relevant consolidated VIEs and thus the enforcement, revision or termination of the Contractual Arrangements shall not be subject to her authorization or consent; (ii) she will sign all necessary documents and take all necessary acts to ensure the proper performance of the Contractual Arrangements; and (iii) in the event that she obtains any equity interests in the relevant consolidated VIEs, she will be subject to and will abide by any obligations as the shareholder of the relevant consolidated VIEs regarding the Contractual Arrangements; and (iv) at the request of Xiaopeng Technology and/ or Xiaopeng Chuxing, she will sign any documents in the form and substance consistent with the agreements under the Contractual Arrangements.

Confirmations and Undertakings from the Shareholders of the Consolidated VIEs

Pursuant to the Contractual Arrangements, each of the shareholders of the consolidated VIEs has confirmed and undertaken to the effect that he will make all necessary arrangements and sign all necessary documents to ensure that, in the occurrence of his death, bankruptcy or any other event which causes his inability to exercise his rights as a shareholder of the relevant consolidated VIEs, the performance of the Contractual Arrangements will not be influenced or obstructed by his legal assignees, successors, heirs, liquidators, receivers, creditors or any other person which may as a result of the aforementioned event obtain the equity interest or relevant rights in the consolidated VIEs.

Dispute Resolution

In the event of any dispute that arise out of or in connection with the Contractual Arrangements, each of the Contractual Arrangements stipulates that:

- (a) the parties shall negotiate in good faith to resolve the dispute;
- (b) in the event the parties fail to settle the dispute by friendly negotiation, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) for arbitration in accordance with the then effective arbitration rules of China International Economic and Trade Arbitration Commission. The arbitration shall be conducted in Shenzhen. The arbitration ruling shall be final and binding on all parties;

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- (c) the arbitral tribunal may award remedies over the equity interest and assets (including any property interest) of the consolidated VIEs, injunctive relief or order the winding up of the consolidated VIEs; and
- (d) upon the request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies pending formation of the arbitral tribunal or in other appropriate cases as permitted by laws. The courts of Hong Kong, the place of incorporation of XPeng Inc. (i.e. Cayman Islands), the place of incorporation of the consolidated VIEs (i.e. Guangzhou) and the place where the principal assets of the Company and the consolidated VIEs are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Adviser that:

- (a) a tribunal normally would not grant such injunctive relief or order the winding-up of any of the consolidated VIEs pursuant to current PRC laws and regulations; and
- (b) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in the PRC.

Therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the consolidated VIEs.

As a result of the above, in the event that the consolidated VIEs or their shareholders breach any of the terms under the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the consolidated VIEs and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to Our Corporate Structure — We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate the value-added telecommunications business, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business” for details.

Conflict of Interest

Each of the shareholders of the consolidated VIEs has given his irrevocable undertakings in the powers of attorney which address potential conflicts of interests that may arise in connection the Contractual Arrangements. See “— Powers of Attorney.”

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company, Xiaopeng Technology, Xiaopeng Chuxing, is legally required to share the losses of, or provide financial support to, our consolidated VIEs. Further, our consolidated VIEs are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Xiaopeng Technology and Xiaopeng Chuxing intend to continuously provide to or assist the relevant consolidated VIEs in obtaining financial support when deemed necessary. In addition, given that our consolidated VIEs hold the requisite PRC operational licenses

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for the operation of the Relevant Business, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our consolidated VIEs suffer losses.

Insurance

We have considered the costs and difficulties of acquiring insurance on commercially reasonable terms, and consider it impractical for us to have insurance to cover these risks. Accordingly, we have not purchased insurance to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC regulators in operating our business through our consolidated VIEs under the Contractual Arrangements and we would terminate the Contractual Arrangements as soon as the law allows the business to be operated without them.

Legality of the Contractual Arrangements

Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Adviser is of the opinion that:

- (a) the contractual arrangements among Xiaopeng Technology, Xiaopeng Chuxing, our consolidated VIEs and their shareholders governed by PRC laws are valid, binding and enforceable in accordance with their terms and applicable PRC laws, rules, and regulations currently in effect, and will not violate any applicable PRC law, regulation, or rule currently in effect except for the dispute resolution clauses under the contractual arrangements, which provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Center for arbitration, in accordance with the then effective arbitration rules. They also provide that the arbitrator may award interim remedies over the shares or assets of the consolidated VIEs or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding-up of the consolidated VIEs; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, the tribunal normally would not grant such injunctive relief or order the winding-up of the consolidated VIEs pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws;
- (b) each of the contractual arrangements entered into by Xiaopeng Technology, Xiaopeng Chuxing, our consolidated VIEs and their shareholders governed by PRC laws and regulations would not fall within the circumstances as stipulated in the PRC Civil Code which will render the contractual arrangements be considered an invalid act thereunder;

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- (c) each of the contractual arrangements entered into by Xiaopeng Technology, Xiaopeng Chuxing, our consolidated VIEs and their shareholders does not violate the provisions of the articles of associations of Xiaopeng Technology and Xiaopeng Chuxing, respectively; and
- (d) no approval or authorization from the PRC governmental authorities are required for entering into and the performance of the contractual arrangements, except that , except that:
 - (i) the exercise of the option by Xiaopeng Technology and Xiaopeng Chuxing of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in our consolidated VIEs is subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities;
 - (ii) any share pledge contemplated under the Equity Interest Pledge Agreements is subject to the registration with competent administration for market regulation;
 - (iii) the transfer and license of intellectual property pursuant to the Exclusive Service Agreements shall be subject to approval and/or registration with the PRC government authorities; and
 - (iv) the arbitration awards/interim remedies provided under the dispute resolution provision of the contractual arrangements shall be recognized by the PRC courts before compulsory enforcement.

In April 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors verbally consulted with an officer of the MIIT. As informed during such consultation, the adoption of such contractual arrangements currently do not fall within the regulatory scope of the MIIT and as a result, the MIIT will not give regulatory opinions on such contractual arrangements.

Our PRC Legal Adviser has advised us that the MIIT is the competent government authority to regulate our VATS Business and based on such consultation, the adoption of the Contractual Arrangements is unlikely to be challenged by or subject to penalty from the MIIT. Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be challenged by or subject to penalty from the MIIT. However, we have been further advised by our PRC Legal Adviser there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations related to the Contractual Arrangements. Accordingly, PRC regulatory authorities or courts may take a view that is different from the opinion of our PRC Legal Adviser. See the section headed “Risk Factors – Risks Relating to Our Corporate Structure” in this prospectus.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of Our Consolidated VIEs

Under the exclusive service agreements, it was agreed that, in consideration of the services provided by services provided by Xiaopeng Chuxing and Xiaopeng Technology, Yidian Chuxing and Zhipeng IoV

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shall respectively pay annual fees to Xiaopeng Chuxing and Xiaopeng Technology respectively, which should be mutually agreed by both parties and can be adjusted according to Xiaopeng Chuxing's and Xiaopeng Technology's suggestion to the extent permitted by PRC law respectively. Accordingly, each of Xiaopeng Chuxing and Xiaopeng Technology has the ability, at its sole discretion, to extract all of the economic benefit of Yidian Chuxing and Zhipeng IoV through the exclusive service agreements.

In addition, under the exclusive option agreements, each of Xiaopeng Chuxing and Xiaopeng Technology has acquired contractual control over the distribution of dividends or any other amounts to the equity holders of our consolidated VIEs as prior written consent of Xiaopeng Chuxing and Xiaopeng Technology respectively is required before any distribution can be made by Yidian Chuxing and Zhipeng IoV respectively. In the event that the shareholders of receive any profit distribution or dividend from our consolidated VIEs, the shareholders must arrange to pay or transfer such amount (subject to the relevant PRC laws and regulations) to Xiaopeng Chuxing and Xiaopeng Technology, as appropriate.

As a result of the Contractual Arrangements, our Company has obtained control of our consolidated VIEs and, at our Company's sole discretion, can receive all of the economic interest returns generated by our consolidated VIEs. Accordingly, the results of operations, assets and liabilities, and cash flows of our consolidated VIEs are consolidated into our Company's financial statements.

Our Directors consider that our Company can consolidate the financial results of our consolidated VIEs into our Group's financial information as if they were our Company's subsidiaries. Our Reporting Accountant, has issued an unqualified opinion on our Group's consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 and as of and for the three months ended March 31, 2021 as included in the Accountant's Report set out in Appendix I to this document.

Foreign Investment Law

In March 2019, the PRC National People's Congress promulgated the Foreign Investment Law, and in December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (the **"Implementing Rules"**), to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. For details of the Foreign Investment Law and the Implementing Rules, please refer to the section "Regulatory Environment — Regulations Relating to Foreign Investment" in this prospectus.

The Foreign Investment Law and the Implementing Rules do not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisor, the Foreign Investment Law, as it is interpreted and implemented as of the date of this prospectus, does not have a material adverse impact on our Contractual Arrangements, including their legality and validity.

However, we are also advised by our PRC Legal Advisor that, the Foreign Investment Law has a catch-all provision that includes into the definition of "foreign investments" made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and

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implementation of the Foreign Investment Law, the possibility cannot be ruled out that the Contractual Arrangements adopted by us may be deemed as a method of foreign investment by any of such future laws, regulations and rules. For further details, see “Risk Factors — Risks Relating to Our Corporate Structure — Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations.”

Compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by variable interest entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the variable interest entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole; and
- our Company’s auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Review of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our variable interest entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

LISTING ON THE NYSE AND FOLLOW ON OFFERING

In August 2020, the Company completed an initial public offering and was listed on the NYSE and sold an aggregate of 114,693,333 ADSs (including 14,959,999 ADSs sold upon the full exercise of the underwriters’ over-allotment option), representing 229,386,666 Class A ordinary shares at a public offering price of USD15.00 per ADS, raising a total of USD1,655.7 million in net proceeds after deduction of underwriting discounts commissions and expenses.

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In December 2020, the Company completed a follow-on public offering at a price of USD45.00 per ADS, or USD22.50 per Shares. In this offering, we issued and sold an aggregate of 55,200,000 ADSs (including 7,200,000 ADSs sold upon the full exercise of the underwriters' over-allotment option), representing 110,400,000 Class A ordinary shares, raising a total of USD2,444.9 million in net proceeds after deduction of underwriting discounts, commissions and expenses.

Since the date of our listings on the NYSE and up to the Latest Practicable Date, our Directors confirm that we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our Directors after having made all reasonable enquiries, there is no matter that should be brought to investors' attention in relation to our compliance record on the NYSE.

REASON FOR THE LISTING

Our Board is of the view that the net proceeds of approximately HKD15,039.08 million from the Global Offering after deducting the underwriting commissions and other estimated offering expenses payable by us, and assuming the initial Public Offer Price of HKD180.00 per Share, and assuming the Over-allotment Option is not exercised, the Listing and the Global Offering will provide us with the necessary funding for us to further develop our business. We also believe that the Listing on the Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

OVERVIEW

China is the largest automotive market in the world, in which over 18.4 million, out of 19.7 million of the passenger vehicles sold in 2020 are powered by internal combustion engines, or ICE vehicles, according to IHS Markit. We believe that the evolvement of core technologies of traditional ICE vehicles has been limited over the last decades. As a result, the evolving customer demand may have not been sufficiently satisfied. In contrast, autonomous driving, vehicle connectivity and electrification are expected to revolutionize the future of mobility, which represents a smart, energy-efficient and environmental-friendly mobility experience.

Since the establishment of our company, we have taken an innovative technology path to our envisioned future of mobility. We intend to empower consumers with our differentiated Smart EVs that can offer disruptive mobility experiences. We believe this can be achieved by fast iteration of software and seamless integration with hardware, which enable us to lead the innovation of Smart EV technologies and provide differentiated Smart EV products to consumers.

Within only six years since our inception in 2015, we have become one of the leading Smart EV companies in China, with leading software, data and hardware technology at our core and bringing innovation in autonomous driving, smart connectivity and core vehicle systems. In contrast to incumbent automotive original equipment manufacturers, or OEMs, and some pure-play EV startups, who generally rely on software solutions from third-party suppliers, our speed of innovation and unique capability to tailor our vehicle software to evolving needs of Chinese consumers and China-specific road conditions are our core competitive advantages. As of the Latest Practicable Date, we are the only automotive company based in China that develops full-stack autonomous driving software in house and has deployed such software on mass-produced vehicles according to IHS Markit. According to the same source, our latest proprietary autonomous driving system, XPILOT 3.0, represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles. Among China-based automakers, we have delivered the most passenger vehicles with a closed-loop data capability, allowing the accumulation of valuable field data and corner cases to train our deep-learning algorithms and autonomous driving software, according to IHS Markit. As we continue to advance our proprietary autonomous driving technology, we plan to deploy automotive-grade LIDAR technology to further enhance the visual-based perception capability of our third car model, the P5, unveiled in April 2021 which, according to IHS Markit, is expected to become the world's first mass-produced Smart EV equipped with LIDAR upon delivery.

In addition to our leadership in Smart EV technologies, we are also leading the business model transformation of the automotive market. Enabled by our Smart EV technologies, we are the first and only China-based automotive company to monetize an in-house developed full stack autonomous driving solution, according to IHS Markit. We offer our proprietary advanced autonomous driving system XPILOT 3.0 software as a paid service to our customers, and as of March 31, 2021, over 20% of the car owners of the P7 had purchased and activated such function. Moreover, we work with our ecosystem partners to expand the content offerings in our Xmart OS system and we have started to monetize certain options and features on a subscription or paid basis.

Our Smart EVs appeal to the large growing base of technology-savvy middle-class consumers in China. We primarily target the mid- to high-end segment in China's passenger vehicle market, with prices




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ranging from RMB150,000 to RMB300,000. According to IHS Markit, we were one of the top five best-selling brands in the mid- to high-end EV segment in China based on sales volume in 2020. Consumers choose our products primarily because of attractive design, interactive smart mobility experience, long driving range and advanced technology.

We are building a rapidly expanding, diversified portfolio of attractive Smart EV models to capture the growing demand for Smart EVs and appeal to the differentiated needs of a broad customer base.

- We started delivery of the G3 in December 2018, and had delivered 30,102 units of the G3 to customers as of March 31, 2021. According to IHS Markit, the G3 was the second best-selling battery electric SUV in the mid- to high-end segment in China during the period of 2019-2020.
- We started delivery of the P7 in May 2020, and had delivered 23,036 units of the P7 to customers as of March 31, 2021. According to IHS Markit, the P7 has become one of the top five best-selling mid- to high-end battery electric sedans in China in the second half of 2020.
- In March 2021, we started delivery of the P7 Wing, a limited edition designed to accentuate the sporty and dynamic styling of the sports sedan with scissor-style front doors that are traditionally only available in luxury sports vehicles.
- In March 2021, we introduced new versions of the G3 and the P7 that are equipped with lithium iron phosphate battery to provide our customers with a wider variety of options.
- In April 2021, we have unveiled the P5, our third Smart EV, which is expected to be the world's first mass-produced Smart EV equipped with LIDAR upon delivery, according to IHS Markit, and plan to commence mass delivery in the fourth quarter of 2021.
- We have a strong pipeline of new Smart EV models. We plan to start the delivery of the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021. We plan to launch our fourth Smart EV, an SUV, in 2022, featuring advanced autonomous driving system and enhanced core vehicle systems.

The table below sets forth certain features of the G3 and the P7 as of March 31, 2021.

			
Model	G3 (SUV)	P7 (Sports Sedan)	P7 Wing (Sports Sedan)
Wheelbase (mm)	2,625	2,998	2,998
NEDC range (km)	460 / 520	480 / 562 / 586 / 670 / 706	562 / 670
Battery capacity (kWh)	55.9 / 57.5 / 66.5	60.2 / 70.8 / 80.9	80.9
0-100 km/h acceleration (s)	≥8.6	4.4 / ≥6.7 / 6.8 / 6.9	4.4
Post-subsidy price (RMB)	149,800 – 199,800	229,900 – 349,900 ⁽¹⁾	366,900 – 409,900 ⁽²⁾

Notes:

- (1) The price range is exclusive of the software of XPILOT 3.0.
- (2) The price range is inclusive of the software of XPILOT 3.0.

Our autonomous driving system and in-car intelligent operating system allow customers to enjoy a differentiated smart mobility experience, and our Smart EVs can be upgraded through OTA firmware updates to introduce enhancements and new functionalities. Continuous innovation in software is one of the key factors that differentiate our Smart EVs and has become a critical value proposition appealing to customers. We have started to monetize the software and content offerings on our Smart EVs.

- XPILOT, our proprietary autonomous driving system, provides assisted driving and parking functions tailored for driving behavior and road conditions in China. XPILOT 2.5 offers adaptive cruise control, adaptive turning control, lane centering control, automated lane changing and automated parking. We rolled out navigation guided pilot (NGP) for highway driving, a function of XPILOT 3.0, in January 2021, which marked the start of monetization of XPILOT 3.0 with options for customers to purchase lifetime or annual services. We also rolled out the Valet Parking Assist, an advanced automated parking function of our proprietary XPILOT 3.0 in June 2021.

According to IHS Markit, XPILOT 3.0 represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles. It had cumulatively assisted our customers in approximately 2.3 million kilometers of highway driving as of March 31, 2021. In March 2021, we conducted an autonomous driving expedition with a fleet of P7s from Guangzhou to Beijing, covering a total distance over 3,000 kilometers across six provinces in China to showcase the capability of NGP for highway driving.

Further updates to XPILOT 3.0 will be released later in 2021 to further enhance capabilities available for customers. According to IHS Markit, our third model, the P5, which was unveiled in April 2021, is expected to be the world's first mass-produced Smart EV equipped with LIDAR upon delivery. Leveraging our visual-based perception capability, complemented by LIDAR, we plan to roll out XPILOT 3.5 which will support NGP for major urban roads. Leveraging field data and corner cases accumulated from our fast-growing number of Smart EVs on the road and our closed-loop data capability, we can continuously train our algorithms and implement frequent upgrades, and provide our customers with an advanced and evolving autonomous driving system.

- Xmart OS, our in-car intelligent operating system, supports a smart cockpit that delivers a seamless, easy-to-use, and voice-controlled smart mobility experience. It enables a broad range of smart connectivity functions, such as enhanced capability of AI voice assistant, smart navigation and an app store. The AI voice assistant is able to engage in continuous driver-vehicle dialogs and execute requests covering a broad range of scenarios. In 2018, the utilization rate of our AI voice assistant was approximately 97%. Such utilization rate remained over 99% in 2019, 2020 and the first quarter of 2021. The in-car app store allows our customers to conveniently access third-party services and infotainment, and allows us to develop our smart connectivity ecosystem and create value for all participants.

- Our technological capabilities in software and hardware integration and E/E architecture enable us to effectively deliver OTA firmware updates. Through such updates, we are able to frequently upgrade our Smart EVs throughout the product lifecycle, which enables our customers to enjoy more functions and a better user experience. As of March 31, 2021, we had completed 22 OTA firmware updates with 128 new features added. In January 2021, we released the first OTA update of XPILOT 3.0, which included NGP for highway driving, and in June 2021, we rolled out the Valet Parking Assist, an advanced automated parking function.

We design, develop and engineer our core vehicle systems in-house, including the development of key technologies relating to powertrain and E/E architecture to deliver superior and reliable vehicle performance. For example, the P7 has achieved an industry-leading driving range as a result of our comprehensive engineering efforts. We collaborated with a top-tier supplier to develop the P7's battery cells, which offer high energy density and low height. Furthermore, we integrated a braking system that offers advanced energy recovery capability, which coupled with the P7's low air drag and three-in-one electric drive system enable high energy efficiency of the P7. Our collaboration with a German engineering and design firm to develop the P7's chassis allowed us to offer a superior driving experience in terms of performance, drivability and handling. As a result of our efforts in modular design across key aspects of Smart EVs, we have strategically established two Smart EV platforms. These platforms are scalable for both SUVs and sedans with different wheelbases within a wide range, which allows us to develop new models in a fast and cost-efficient manner. We have commenced development of a new Smart EV platform.

We seek to continuously expand our customer reach by extending our online and physical sales and service network. We have an omni-channel sales model, which combines a data-driven online marketing strategy with a physical sales and service network, and we strive to ensure consistent brand image, customer experience and price across all sales channels. As of March 31, 2021, our physical sales and service network consisted of a total of 178 stores and 61 service centers, covering 70 cities in China. A substantial majority of our stores are strategically located in shopping malls, as we believe such locations enable us to raise our brand awareness and attract customer traffic in a cost-efficient manner. In addition, we actively engage in online marketing through a variety of channels to further enhance our brand recognition and acquire customers.

We aim to offer our customers a convenient charging and driving experience by providing them with access to a vast, rapidly-growing charging network. Our customers can choose to charge their Smart EVs using home chargers, at XPeng-branded super charging stations or at third-party charging piles, many of which are connected to our charging network. As of March 31, 2021, there were 172 XPeng-branded super charging stations, covering 60 cities in China. Each XPeng-branded super charging station has about six to seven super chargers, which has a peak power output of 120kW. We will continue to expand the XPeng-branded super charging network coverage to provide greater accessibility and enhanced charging experience to our customers. In September 2020, we launched a free charging program to provide qualified car owners with free charging services at XPeng-branded super charging stations and certain third-party charging stations, and, as of March 31, 2021, such program had covered 140 cities in China.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We take a lean production approach, with the aim of continuous optimization in operating efficiency and product quality. We started production of the P7 at our plant in Zhaoqing, Guangdong province, in May 2020. We produce our G3 through a contract manufacturing collaboration with Haima, at its plant in Zhengzhou, Henan province. Such arrangement has allowed us to retain effective

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control of key manufacturing and procurement processes and product quality with minimal required capital outlay at the initial stage of our development. The Zhaoqing plant and the Haima plant have annual production capacities of up to 100,000 units and 150,000 units, respectively. To further expand our production capacity, we are planning to construct new Smart EV manufacturing bases in Guangzhou and Wuhan, with an expected annual production capacity of up to 100,000 units each.

Our total revenues grew rapidly from RMB9.7 million in 2018 to RMB2,321.2 million in 2019, and further to RMB5,844.3 million in 2020. For the three months ended March 31, 2021, our total revenues were RMB2,950.9 million (US\$450.4 million), representing a significant increase compared to RMB412.1 million for the three months ended March 31, 2020. Our Smart EV deliveries increased from 29 units in 2018 to 12,728 units in 2019, and further to 27,041 units in 2020. For the three months ended March 31, 2021, our Smart EV deliveries were 13,340 units, representing a significant increase compared to 2,271 units for the three months ended March 31, 2020. Along with strong revenue growth, our gross profit margin increased from (24.3%) in 2018 to (24.0%) in 2019, further to 4.6% in 2020, and further to 11.2% for the three months ended March 31, 2021.

As of March 31, 2021, we had 6,132 employees in China and the United States. As of the same date, 39.8% of our employees focused on research and development, of which 62.1%, 16.3% and 21.5% were dedicated to automotive design and engineering, autonomous driving and intelligent operating system, respectively.

According to IHS Markit, in the NEV industry, there were 54 automotive OEM brands that sold 1,000 or more units of NEVs in China in 2020, and in aggregate they accounted for 99.1% of the market share in the China NEV market. The top 5 OEM brands by NEV sales volume accounted for 46.4% in China in 2020. According to IHS Markit, XPeng had a market share of 2.0% in the China NEV market and 4.7% in the mid- to high-end segment of the China NEV market in 2020 and was not among the top 5 OEM brands in either segments.

According to IHS Markit, there were 45 auto OEM brands that had sold 1,000 units or more EVs in China in 2020, and in aggregate they accounted for 98.7% of the market share in the China EV market. The top 5 OEM brands by EV sales volume accounted for 51.4% in China in 2020. According to IHS Markit, XPeng had a market share of 2.8% and ranked 12th in the China EV market and 6.6% and ranked 4th in the mid- to high-end segment of the China EV market in 2020.

OUR STRENGTHS

We believe the following strengths position us well to capitalize on the opportunities of a rapidly changing passenger vehicle market and the growing consumer demand for Smart EVs in China.

We are one of the leading Smart EV companies with proven record and technology leadership

We are one of China's leading Smart EV companies, bringing popular Smart EVs to Chinese consumers through innovation in autonomous driving, smart connectivity and core vehicle systems. Since starting Smart EV delivery in December 2018, we have become one of the top five best-selling brands in the mid- to high-end EV segment in China in terms of sales volume in 2020, according to IHS Markit. We have

chosen to develop autonomous driving and intelligent operating system technologies as well as design core vehicle systems, including powertrain and E/E architecture in-house. As a result, we have been able to offer competitive products and continuously deliver smarter and upgradable functions to better serve our customers. For example, according to IHS Markit, our second model, the P7, with its advanced smart features, has become one of the top five best-selling mid- to high-end battery electric sedans in China in the second half of 2020. We believe that our approach of developing software and designing core vehicle systems in-house enables us to develop and deploy our technologies more rapidly and efficiently and gives us an advantage over our competitors in China.

We offer differentiated mobility experiences

Our Smart EVs offer impressive performance, attractive design, and a fun driving experience. For example, the P7 offers an NEDC range of up to 706 km (439 miles) on a single charge, which is the longest among the EVs that have been mass delivered in China as of December 31, 2020 based on the MIIT New Energy Vehicle Catalogs. The P7 offers fast acceleration, superior handling and high energy efficiency. Our in-house engineering know-how and close collaboration with several business partners enable the P7 to achieve high technical targets in various areas, such as safety, range, vehicle dynamics, as well as noise, vibration and harshness. Furthermore, the P7's AI voice assistant enables communication between our customers and Smart EVs to occur in natural and continuous dialogs, providing customers a voice-based and hassle-free mobility experience. Our AI voice assistant had a utilization rate of over 99% in 2019, 2020 and the first quarter of 2021 and was used approximately seven times per day on average in March 2021.

We strive to offer our customers more freedom while driving, and to deliver a comfortable and safe mobility experience. Such experience is measured by the level at which our Smart EVs can “be driven” by our autonomous driving system. According to IHS Markit, our proprietary autonomous driving system XPILOT 3.0 represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles. We rolled out NGP for highway driving of XPILOT 3.0 in January 2021, which is capable of autonomously changing lanes, overtaking other vehicles, recognizing traffic signs, as well as adjusting speed in highway driving use cases. It has already cumulatively assisted our customers in approximately 2.3 million kilometers of highway driving as of March 31, 2021. In March 2021, we conducted an autonomous driving expedition with a fleet of P7s from Guangzhou to Beijing, covering a total distance over 3,000 kilometers across six provinces in China to showcase the capability of NGP for highway driving. We also rolled out our advanced automated parking function of XPILOT 3.0 in June 2021. Further updates to XPILOT 3.0 will be released later in 2021, as we continue to refine our algorithms and implement frequent upgrades. In addition, our autonomous driving system is developed and tailored to driving behavior and road conditions in China. For example, our automated parking function is specifically designed to address the parking challenges in Chinese cities where parking spaces are often small and have irregular layouts. We continuously train and optimize our system with field data and corner cases accumulated from our fast-growing number of Smart EVs, and achieve fast improvement in our technologies.

Deep software, data and hardware technologies to enable fast speed of innovation

We design and develop our own software, data and core hardware technologies, which we regard as our core competency. We are the only China-based automotive company that has deployed in-house

developed full-stack autonomous driving software on mass-produced vehicles as of the Latest Practicable Date, according to IHS Markit. We believe that the insights we gained from the field data and corner cases collected from our fast-growing number of Smart EVs delivered to and cumulative kilometers driven by our customers give us significant competitive advantages. As of March 31, 2021, we had accumulated approximately 5.9 million proprietary annotated images of real road driving conditions. Leveraging our closed-loop data and deep-learning capabilities, we continuously train our algorithms and implement frequent upgrades to provide our customers with better autonomous driving experiences. With our in-house development approach, we strive to pioneer innovations and introduce the latest technologies to the market at a fast speed. We plan to deploy automotive-grade LIDAR technology to further enhance our visual-based perception capability on our third car model, the P5, unveiled in April 2021, which, according to IHS Markit, is expected to become the world's first mass-produced Smart EV equipped with LIDAR upon delivery. Moreover, we have developed natural language processing and natural language understanding capabilities based on deep-learning neural networks, and our AI voice assistant can identify keywords, categorize text and understand semantics. Furthermore, we design powertrain and E/E architecture in-house, all of which are critical to the safety, reliability and high performance of our Smart EVs. We believe that our vertically integrated in-house developed software and hardware, supported by our data technologies, enable us to achieve greater speed of innovation and offer better customer experience.

Our customer engagement and product enhancement do not end with product delivery, as we continuously upgrade our customers' Smart EVs with new features through OTA firmware updates across the product lifecycle. In January 2021, we released the most comprehensive OTA update in our history with over 40 new features added, including NGP for highway driving of our autonomous driving system XPILOT 3.0, and our in-car intelligent operating system Xmart OS 2.5.0. As of March 31, 2021, the Company had completed 22 OTA firmware updates with 128 new features added. In addition, in June 2021, we also rolled out the advanced automated parking function of our proprietary XPILOT 3.0 through an OTA firmware update. We believe our holistic OTA firmware update capability provides our customers with differentiated smart mobility experience and continuous user engagement.

Pioneer in software and content monetization and Smart EV business model innovation

We strive to provide our customers with a differentiated Smart EV experience with our proprietary software applications and diverse content offerings on our Smart EVs. According to IHS Markit, we are the first and only China-based automotive company to monetize an in-house developed full stack autonomous driving solution. Such value-added services provide our consumers with a convenient, enjoyable and personalized driving and riding experience. We offer our proprietary advanced autonomous driving system XPILOT 3.0 software as a paid service to our customers. As of March 31, 2021, over 20% of the car owners of the P7 had purchased and activated such function. As we continue to release more functionalities of XPILOT 3.0 and enhance its capabilities with data accumulated from kilometers driven by our Smart EVs, the software attach rate is expected to further increase. Moreover, our Xmart OS system functions as a platform to deliver content services to further enhance user engagement and experiences. We work with our ecosystem partners to expand the content offerings and have started to monetize such services. For example, we have identified strong customer demand for in-car music, as over 80% of our customers used music applications in their car for on average over two hours per day in March 2021. We introduced a premium music subscription via OTA firmware update in June 2020, which provides a high-fidelity music experience supported by the premium audio system and ambient lighting in our Smart EVs. We plan to continue to

upgrade and expand our software and content offerings, and expand monetization opportunities in the future.

Scalable and flexible Smart EV platforms for efficient development of future models

We strategically establish multiple flexible Smart EV platforms to develop new models in a fast and cost-efficient manner. We have two scalable platforms named David and Edward currently in use, which enable us to develop vehicles with a wheelbase ranging from 2,600 millimeters to 3,100 millimeters. Each Smart EV platform allows us to efficiently design and manufacture a variety of models, as we utilize common components across different models on the same platform. Through economies of scale, our platform approach is expected to reduce our bill-of-material cost and research and development expenses. We have also commenced developing a new Smart EV platform to expand our product portfolio with offerings that meet different customer preferences.

The winning team for Smart EV

Our founders and senior management team have deep expertise in the technology and automotive industries. The combination of technology and automotive expertise equips us with an innovative mindset, and we take a non-conventional approach to our products and technologies that bring differentiated experience and superior product quality to our customers. We put strong emphasis on research and development to enhance our products with cutting-edge technologies. As of March 31, 2021, 39.8% of our employees focused on research and development, of which 62.1%, 16.3% and 21.5% were dedicated to automotive design and engineering, autonomous driving and intelligent operating system, respectively.

OUR STRATEGIES

We pursue the following strategies to accomplish our mission:

Accelerate investment in and advancement of our technologies

Technology is our key differentiation and our core focus. We will relentlessly focus on technology innovations to continue upgrading our proprietary autonomous driving, intelligent operating system as well as core vehicle systems. We plan to introduce XPILOT 3.5 that supports NGP for major urban roads with enhanced perception capability assisted by LIDAR on our third model, the P5, unveiled in April 2021, and introduce XPILOT 4.0 built upon our next-generation autonomous driving hardware and software platform on our fourth Smart EV model. We expect to continue upgrading our Xmart OS for next-generation smart cockpit with more powerful capabilities in natural language processing, natural language understanding, and intelligent recommendation. We plan to design our upgraded powertrain and E/E architecture to improve vehicle performance, as well as energy and cost efficiency. With our continued investment in research and development, we aim to stay at the forefront of Smart EV technology development and product innovations.

Expand monetization of our software and content offerings

We expect to expand monetization of software and content offerings by introducing more advanced technologies and premium features, increasing attach rate and enhancing our value propositions to customers. We have achieved initial success in monetizing XPILOT software on the P7 models, as well as

certain Xmart OS premium content. We aim to further ramp up the adoption and attach rate of our XPILOT software as we continue to improve our autonomous driving software and hardware technologies to offer our customers an increasingly hassle-free and safe mobility experience. Through spearheading innovations, we aim to further expand the functionalities and use cases of our autonomous driving system and therefore create more value to our customers. Additionally, with our fast-growing number of Smart EVs delivered to customers and running on the road, and strong user engagement with our Xmart OS, we plan to expand our smart connectivity ecosystem and make more value-added services and content available to our customers, thereby further expanding monetization from content offerings. For example, we aim to collaborate with more third-party app developers to expand app and content offerings on Xmart OS, and explore various monetization models.

Continue to rapidly expand our product portfolio based on our platform approach

We intend to continue our fast pace of product offering expansion by leveraging our highly flexible Smart EV platforms. We plan to continuously launch new Smart EV models and upgrades to broaden our addressable market and serve the demands of a wide range of customers. We have also adopted a platform approach for our software systems, which include XPILOT and Xmart OS and are deployed across our entire product line. Our platform approach will enable us to optimize efficiency in product development, supply chain and manufacturing.

We have a strong pipeline of new Smart EV models. We plan to start the delivery of the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021. We target to deliver our third Smart EV model, the P5, a sedan built on the same platform as the G3, in the fourth quarter of 2021. Our third model the P5 will feature an upgraded smart cockpit, a spacious interior, as well as our hallmark autonomous driving system XPILOT 3.5 and LIDAR, with enhanced autonomous driving capabilities enabling NGP for major urban roads. The P5 is expected to be the world's first mass-produced Smart EV equipped with LIDAR, according to IHS Markit. Our fourth Smart EV model, an SUV based on the same platform as the P7, is expected to be launched in 2022. This model is expected to feature advanced autonomous driving system powered by XPILOT 4.0 and LIDAR, enhanced core vehicle systems offering rapid charging capability, more consolidated domain control units for enhanced OTA capability, as well as intelligent chassis and air suspension system normally only available in premium vehicles.

Invest in building our leading Smart EV brand

We intend to continue solidifying our brand image that exemplifies smartness, quality and performance. While we maintain our key focus on the mid- to high-end Smart EV market, we also strive to continue upgrading our brand positioning through launching various innovative and premium products, such as the P7 Wing edition with its luxury sports vehicle design. We also plan to leverage our proprietary technologies to provide differentiated customer experience to strengthen our technology-savvy positioning. The development of our technologies has always been centered on providing our customers a great-to-drive and great-to-be-driven experience. Moreover, we seek to promote our brand awareness through various marketing initiatives, including online marketing, advertising, promotions and public events.

Increase the scale of our sales, service and super charging networks

We intend to continue to broaden our sales and service network to better engage and serve our customers. We plan to continue to expand the presence of physical stores in cities which we believe have strong demand for Smart EVs. We aim to strengthen our online presence through strategic collaborations with major online platforms in China. Through data-driven targeted online marketing and product differentiation, we plan to continue improving the efficiency of our sales and marketing efforts. Moreover, we plan to substantially expand the network of our XPeng-branded super charging stations to cover a broader range of locations. We believe an extensive XPeng-branded super charging network will enhance our brand recognition and provide a more convenient and efficient charging experience to our customers. We also plan to make self-operated super charging stations available for exclusive use by our customers in the future, in order to enhance and offer a more differentiated user experience to our customers.

Build and expand our international market presence

We intend to strategically build and expand our presence in international markets. In December 2020, the first batch of the European version of the G3 was delivered to customers in Norway and a second batch was shipped in the first quarter of 2021. We plan to continue to expand into other international markets, starting with certain European markets. We aim to build and enhance our overseas sales and services capability, and to adapt the user interfaces of our software systems to optimize our products and services for consumers in overseas markets.

PRODUCTS

Our products include Smart EVs and advanced autonomous driving software system. We design, develop, manufacture and market Smart EVs, and we develop full-stack autonomous driving software system in-house. We design our Smart EVs to satisfy the needs and preferences of technology-savvy middle-class consumers in China. Priced in the mid- to high-end segment, our Smart EVs offer customers a great-to-drive and great-to-be-driven experience, as well as compelling value proposition. As of March 31, 2021, our Smart EVs had been driven for an estimated total of approximately 836 million kilometers.

G3

Our first mass-produced Smart EV, the G3, is an SUV. The G3 has a post-subsidy price ranging from RMB149,800 to RMB199,800. We started to deliver the G3 in December 2018, and had delivered 30,102 units of the G3 to customers as of March 31, 2021.

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Since its launch, we have continuously upgraded the G3 to improve its performance. In March 2021, we introduced LFP battery version of the G3 to offer a wider variety of options for our customers. The following table sets forth certain technical features of the configurations of the G3:

Configuration	NCM battery version		LFP battery version Standard Range
	Standard Range	Long Range	
Wheelbase (mm)	2,625	2,625	2,625
NEDC range (km)	460	520	460
Battery capacity (kWh)	57.5	66.5	55.9
Battery energy density (Wh/kg)	170	180	140
Energy consumption rate (kWh/100 km) . .	14.1	14.1	14.1
0-100 km/h acceleration (s)	8.6	8.6	≥ 8.6
Maximum torque (Nm)	300	300	300
Maximum motor power (kW)	145	145	145
Autonomous driving capabilities	XPILOT 2.5 <ul style="list-style-type: none"> • Adaptive cruise control, adaptive turning control, lane centering control and automated lane changing • Automated parking • Active safety features, such as forward collision warning, automatic emergency braking and blind spot monitoring 		
Operating system	Xmart OS <ul style="list-style-type: none"> • AI voice assistant • Smart navigation • In-car app store 		
OTA firmware update	Upgradable electronic control units, or ECUs		

The G3 meets five-star C-NCAP safety standards, which cover occupant safety, pedestrian safety and active safety. The G3 received the highest score among all NEV models with C-NCAP test results released in 2019. The G3's body utilizes high-strength steel and effectively enhances passengers' safety in the event of a collision. In the China Insurance Automotive Safety Index published in January 2020, which was based on crash test results, the G3 received the highest rating in multiple key areas, reflecting a high safety level comparable to several premium ICE models. In addition, the G3 has won the Auto Parking Award in the 2020 i-VISTA China Intelligent Vehicle Indexes released by China Automotive Engineering Research Institute.

Our smart technology functions make the G3 a compelling product for the mid- to high-end segment. All versions of the G3 feature Xmart OS, which enables a broad range of smart connectivity functions such as AI voice assistant, smart navigation and in-car app store.

P7

Our second mass-produced Smart EV, the P7, is a four-door sports sedan. As our flagship model, the P7 continues to reinforce our positioning as a leading Smart EV brand. The P7 was named the Car of the Year 2021 by the Xuanyuan Awards, China's most prestigious award for auto quality and innovation. The P7 has a post-subsidy price ranging from RMB229,900 to RMB409,900. We initiated the development of the P7 at the end of 2017, started accepting orders in April 2020, commenced production and began delivery in May 2020, and have delivered 23,036 units of the P7 to customers as of March 31, 2021. In November 2020, we unveiled the P7 Wing, a limited edition designed to accentuate the sporty and dynamic styling of the sports sedan with scissor-style front doors that are traditionally only available in luxury sports vehicles. In March 2021, we started the delivery of the P7 Wing and introduced LFP battery version of the P7 to provide our customers with more affordable options of premium configurations that enable smart features.

The table below sets forth certain technical features of the various configurations of the P7. In particular, the P7 offers an NEDC range of up to 706 km (439 miles) on a single charge, which is the longest among the EVs that have been mass delivered in China as of December 31, 2020, based on the MIIT New Energy Vehicle Catalogs.

Configuration	NCM battery version				LFP battery version
	4WD ⁽¹⁾	RWD ⁽²⁾ Long Range	RWD ⁽²⁾ Super-long Range	RWD ⁽²⁾ Standard Range	RWD ⁽²⁾ Standard Range
Wheelbase (mm)	2,998	2,998	2,998	2,998	2,998
NEDC range (km)	562	586	670	706	480
Battery capacity (kWh)	80.9	70.8	80.9	80.9	60.2
Battery energy density (Wh/kg)	170	161	170	170	126
Energy consumption rate (kWh/100 km)	16.3	13.2	13.6	12.5	13.8
0-100 km/h acceleration (s)	4.4	6.9	6.8	6.8	≥6.7
Maximum torque (Nm)	655	390	390	390	390
Maximum motor power (kW)	316	196	196	196	196
	(dual-motor)	(single-motor)	(single-motor)	(single-motor)	(single-motor)
Braking distance at 100 km/h (m)	< 35	< 35	< 35	< 35	< 35

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Configuration	NCM battery version			LFP battery version RWD ⁽²⁾
	4WD ⁽¹⁾	RWD ⁽²⁾ Long Range	RWD ⁽²⁾ Super-long Range	Standard Range
Autonomous driving capabilities	XPILOT 3.0 ⁽³⁾			
	<ul style="list-style-type: none"> • NGP for highway driving • Adaptive cruise control, adaptive turning control, lane centering control and automated lane changing • Surrounding Reality (SR) display for navigation assisted autonomous driving • Active safety features, such as forward collision warning, automatic emergency braking and blind spot monitoring • Advanced automated parking, the Valet Parking Assist, which memorizes the locations and layouts of frequently used parking spots and enables autonomous driving within such parking lots, followed by automated parking 			
Operating system	Xmart OS			
	<ul style="list-style-type: none"> • AI voice assistant, capable of supporting natural and continuous dialogs and executing requests covering a broad range of scenarios • Smart navigation • In-car app store, Alipay and the mini-programs on the Alipay platform 			
OTA firmware update	Almost all of the ECUs are upgradable			

Notes:

(1) Refers to four wheel drive.

(2) Refers to rear wheel drive.

(3) Both standard and premium versions of the P7 are equipped with autonomous driving features powered by XPILOT 2.5. The hardware of the premium version of the P7 can also support XPILOT 3.0.

The P7 offers fast acceleration, superior handling and high energy efficiency. Our in-house engineering know-how and close collaboration with several business partners enable the P7 to achieve high technical targets in various areas, such as safety, range, vehicle dynamics, as well as noise, vibration and harshness. We developed the premium EV-specific chassis by cooperating with a German engineering and design firm. We developed the dynamic torque distribution system in-house and integrated the continuous damping control system to deliver a premium ride experience. In addition, we collaborated with a top-tier supplier to develop the P7's battery cells, which offer high energy density and low height. The battery pack is customized to a height of just 110 millimeters, which allows us to give the Smart EV a low height profile and a sporty and stylish appearance. Furthermore, the battery pack demonstrates durable cycle performance and retains over 90% of its initial capacity after approximately 160,000 kilometers of mileage. Other factors also contribute to the P7's long range. For example, we integrate a braking system that offers advanced energy recovery capability. With an aerodynamic coefficient of 0.236 cd, the P7's low air drag also

contributes to its high energy efficiency. Designed in-house, the P7's three-in-one electric drive system is both powerful and light-weighted, as reflected by its electric motors' high power density of 2.0 kW/kg.

With a comprehensive suite of safety features, the P7 is designed to meet five-star C-NCAP safety standards. The P7's car body is made of high-strength steel and aluminum, which effectively absorbs impact forces in the event of a collision. The P7 is equipped with our self-designed battery pack that has been tested rigorously and offers robust safety features, such as water-and-dust resistance capabilities that reach IP68, the highest standard in the industry.

Both standard and premium versions of the P7 are supported by autonomous driving features powered by XPILOT 2.5. Customers who own the premium version of the P7 may select to purchase XPILOT 3.0, which was rolled out through an OTA firmware update in January 2021. Among all units of the P7 delivered in the first quarter of 2021, approximately 96% can support XPILOT 2.5 or XPILOT 3.0.

All versions of the P7 feature Xmart OS, which enables a broad range of smart connectivity functions such as AI voice assistant, smart navigation and in-car app store. The P7's AI voice assistant is capable of supporting natural and continuous dialogs without having to be activated repeatedly, and while it responds, a person can interrupt to give a new voice instruction. Furthermore, the P7's AI voice assistant can execute requests covering a broad range of scenarios. In addition, we have deployed Alipay on the P7, which allows our customers to conveniently pay for transactions on in-car apps.

Future Smart EV Roadmap

We plan to continuously introduce new models to expand our product portfolio and customer base. In April 2021, we have unveiled our third Smart EV model, the P5, a sedan designed for family use, based on the same platform as the G3, namely the David platform, and we plan to commence mass delivery in the fourth quarter of 2021. The P5 offers a spacious interior and a sleek exterior design, featuring a length of 4,808 millimeters and a wheelbase of 2,768 millimeters. The P5's positioning and value propositions will allow us to target a broad customer base. Equipped with 32 perception sensors (including two LIDARs, 12 ultrasonic sensors, five millimeter-wave radars, and 13 high-resolution cameras) and one high-precision positioning unit that contains global navigation system satellite and inertial measurement unit, the P5 will support XPILOT 3.5, our hallmark autonomous driving system, which could handle challenging and complex road conditions and enable NGP for major urban roads.

Furthermore, we plan to start the delivery of the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021.

BUSINESS

We also plan to launch our fourth Smart EV model, an SUV, based on the same platform as the P7, namely the Edward platform, in 2022. We plan to feature the new model with advanced autonomous driving system equipped with LIDAR, which could support XPILOT 4.0, an enhanced core vehicle systems offering rapid charging capability, more consolidated domain control units for enhanced OTA capability, as well as intelligent chassis and air suspension system normally only available for premium vehicles. The following diagram illustrates the time of delivery and price positioning of our Smart EV models and the expected time of delivery and planned price positioning of our future Smart EV models:



Notes:

- (1) The horizontal timeline represents the time that the Smart EV model started or is expected to start delivery.
- (2) The G3i, the mid-cycle facelift version of the G3, has not been launched. The P5 was unveiled in April 2021 and is expected to be delivered in the fourth quarter of 2021. Our fourth model is expected to be launched in 2022.

Advanced Autonomous Driving Software

XPILOT, our proprietary autonomous driving system, provides assisted driving and parking functions tailored for driving behavior and road conditions in China. XPILOT 2.5 offers adaptive cruise control, adaptive turning control, lane centering control, automated lane changing and automated parking. Both standard and premium versions of our Smart EVs are equipped with autonomous driving features powered by XPILOT 2.5, without additional charges.

We rolled out the software of our advanced autonomous driving system, XPILOT 3.0, through OTA firmware update, in January 2021. XPILOT 3.0 is provided as a paid service to our customers. Customers who own the premium version of the P7 may select to purchase XPILOT 3.0 by either making a lump sum payment of RMB20,000 at the time of vehicle purchase or paying RMB12,000 each year for an annual service, which can be converted to lifetime service after payments for three consecutive years. As of March 31, 2021, over 20% of the car owners of the P7 had purchased and activated such function.

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In addition to the functions available in XPILOT 2.5, XPILOT 3.0 can support NGP for highway driving and advanced automated parking. We expect to introduce further updates to XPILOT 3.0 later in 2021 to further enhance capabilities available for customers.

SMART EV DELIVERIES

The following table sets forth the number of our Smart EVs delivered to customers in the periods indicated:

Smart EV Model	Three months ended									
	Dec 31, 2018	Mar 31, 2019	June 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	June 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021
G3	29	442	6,723	2,345	3,218	2,271	2,903	2,368	4,437	5,366
P7	—	—	—	—	—	—	325	6,210	8,527	7,974
Total	29	442	6,723	2,345	3,218	2,271	3,228	8,578	12,964	13,340

During the Track Record Period, all the P7s are self-produced at our Zhaoqing plant and all the G3s are produced through a contract manufacturing collaboration with Haima. As the Zhaoqing plant was put into production in May 2020, all of our Smart EVs delivered in 2018 and 2019 are G3s. Among the 27,041 units of Smart EVs delivered in 2020, 11,979 units are the G3 and 15,062 units are the P7, representing 44.3% and 55.7% of the total Smart EV deliveries in 2020, respectively. For the three months ended March 31, 2021, we delivered 13,340 units of Smart EVs, consisting of 5,366 units of the G3 and 7,974 units of the P7, representing 40.2% and 59.8% of the total Smart EV deliveries during the same period. Therefore, our self-produced Smart EVs delivered in 2018, 2019, 2020 and the three months ended March 31, 2021 accounted for nil, nil, 55.7% and 59.8% of our total Smart EVs delivered during the same periods, respectively.

We started to deliver the G3 in December 2018. The G3 deliveries increased sharply in the second quarter of 2019, primarily because we commenced mass deliveries of the G3 to customers in the quarter and fulfilled most of the orders accumulated in 2018 and the first quarter of 2019, and partly due to expected decrease in government subsidies at that time. The G3 deliveries decreased from the fourth quarter of 2019 to the first quarter of 2020 mainly due to the significant impact from COVID-19 outbreak in China and seasonal impact from the Chinese New Year holiday. We started to deliver the P7 in May 2020. The P7 deliveries increased sharply in the third quarter of 2020 because we commenced mass deliveries of the P7 to customers in late June 2020 and fulfilled most of the orders accumulated in the second quarter of 2020. The G3 deliveries decreased slightly from 2,903 in the second quarter of 2020 to 2,368 in the third quarter of 2020 due to the focus of our sales and marketing efforts on the P7. There was strong growth in deliveries of both models in the fourth quarter of 2020 driven by a combination of factors, including positive customer feedback, continuous production ramp up of the P7, impact of seasonality, as well as effective marketing campaigns during “Double 11” and “Double 12” shopping festivals. We achieved record quarterly deliveries in the first quarter of 2021 despite seasonal impact from the Chinese New Year holiday, mainly due to growing brand recognition and product appeal, expanded product portfolio, as well as our efforts in broadening sales, marketing and super charging service networks across China.

We also made positive progress in overseas markets. In December 2020, the first batch of the European version of the G3 was delivered to customers in Norway and a second batch was shipped in the

first quarter of 2021. We aim to build and enhance overseas sales and service capability, and to adapt the user interfaces of our software systems to optimize our products and services for consumers in overseas markets.

OUR TECHNOLOGIES

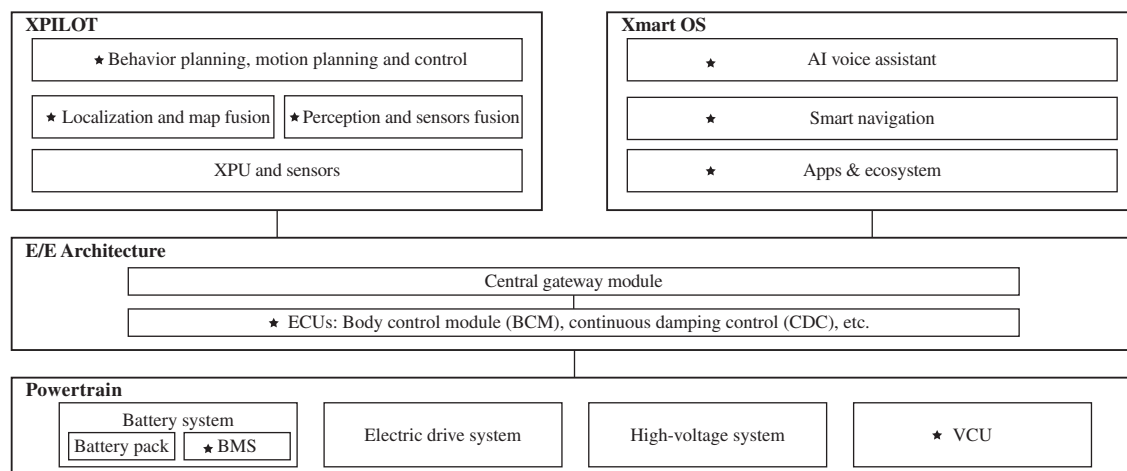
We develop most of our key technologies in-house to achieve a rapid pace of innovation and tailor our product offerings for Chinese consumers. Such technologies encompass both software, including XPILOT and Xmart OS, and core vehicle systems, including the E/E architecture and powertrain. By developing our proprietary software and hardware technologies, we are able to retain better control over the performance and experience of our Smart EVs and have the flexibility to continuously upgrade them.

We dedicate significant resources towards research and development. As of March 31, 2021, 2,442, or 39.8%, of our employees are in our research and development function, of which 62.1%, 16.3% and 21.5% were dedicated to automotive design and engineering, autonomous driving and intelligent operating system, respectively. Our research and development teams comprise software developers and engineers who specialize in different research and development focus areas such as product planning, automotive technology, powertrain, autonomous driving, manufacturing, intelligent operating system, data development and data intelligence platform. In particular, Mr. Xinzhou Wu and Mr. Yu Ji lead own research and development of XPILOT and Xmart OS, respectively. Mr. Wu and Mr. Ji have more than 15 years of experience in research and development of autonomous driving and wireless technology, respectively. Please see the section headed “Directors and Senior Management” for more details. In 2018, 2019, 2020 and the three months ended March 31, 2021, we incurred research and development expenses of RMB1,051.2 million, RMB2,070.2 million, RMB1,725.9 million and RMB535.1 million (US\$81.7 million), respectively.

We have also collaborated with various third-party companies, some of which are leading enterprises in their respective industries, to strengthen our research and development capabilities in our domains of intelligent operating system, autonomous driving, powertrain, and vehicle body development. We have entered into agreements with these companies, under which they undertake to provide technical support according to our technical requirements. Under such agreements, we generally retain the proprietary rights to jointly developed patents.

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The following diagram illustrates certain key technology stacks, including XPILOT, Xmart OS, the E/E architecture and the powertrain:



★ Updatable through OTA

Our Autonomous Driving System—XPILOT

XPILOT, our proprietary autonomous driving system, is tailored to driving behavior and road conditions in China. Since inception, we have dedicated significant research and development efforts in autonomous driving technology, which we believe is a key element for the Smart EV experience. As of the Latest Practicable Date, we are currently the only China-based automotive company to develop and deploy an in-house full-stack proprietary software for commercialization of autonomous driving, according to IHS Markit. Such capabilities enable us to continuously improve XPILOT and achieve fast system iterations.

Our XPILOT 2.5 is currently deployed on the G3 and the P7. Its key capabilities include adaptive cruise control, adaptive turning control, lane centering control, automated lane changing and automated parking. Such capabilities resonate strongly with our customers. As of March 31, 2021, our adaptive cruise control function had been used for approximately 61.4 million kilometers of driving cumulatively, and our lane centering control function had been used for approximately 30.2 million kilometers of driving cumulatively. In March 2021, the monthly average utilization rate of our adaptive cruise control function was approximately 62%, and the monthly average utilization rate of our lane centering control function was approximately 43%. In the first quarter of 2021, our customers used automated parking for approximately 816,000 times, among which approximately 77% were successfully completed without human intervention. In particular, in March 2021, the monthly average utilization rate of our automated parking function was approximately 51%. XPILOT 2.5 also enables a variety of active safety features, such as forward collision warning, automatic emergency braking and blind spot monitoring, to reduce the risk of traffic accidents.

We rolled out NGP for highway driving and advanced automated parking, the Valet Parking Assist, each function of our proprietary XPILOT 3.0, through OTA firmware updates in January 2021 and June 2021, respectively. In addition to the functions available in XPILOT 2.5, we expect to introduce further updates to XPILOT 3.0 thereby further enhancing the experience of our customers when utilizing our autonomous driving system.

The NGP for highway driving is capable of autonomously changing lanes, overtaking other vehicles, recognizing traffic signs and construction signs, as well as adjusting speed. It also enables a vehicle to autonomously enter and exit a highway ramp, as well as switching from one highway to another. The NGP has assisted our customers in driving on the highway for an aggregate of approximately 2.3 million kilometers as of March 31, 2021. In March, the NGP-assisted mileage penetration rate, which refers to the mileage assisted by the NGP as a percentage of the NGP drivable mileage, exceeded 50% amongst those P7s that have activated the NGP function. In March 2021, we conducted an autonomous driving expedition with a fleet of P7s from Guangzhou to Beijing, covering a total distance over 3,000 kilometers across six provinces in China to showcase the capability of NGP for highway driving. We plan to roll out further improved versions of the NGP to enhance safety, functionality and performance during 2021.

We rolled out advanced automated parking function, the Valet Parking Assist, for XPILOT 3.0 users in June 2021, which can memorize the locations and layouts of the parking spots that a driver frequently uses. Based on such information, the function enables the autonomous driving of a vehicle from the entrance of a parking lot to a memorized parking space, followed by the automated parking of the vehicle into such space.

Leveraging our full-stack research and development capabilities, we are able to tailor our autonomous driving system to road conditions in China, which is a key factor that differentiates our Smart EVs. We continuously explore new autonomous driving capabilities, and we plan to deliver our third Smart EV model, the P5, in the fourth quarter of 2021. Leveraging our visual-based perception capability complemented by LIDAR, we plan to roll out XPILOT 3.5, which will support NGP for major urban roads. We also plan to introduce XPILOT 4.0, which will be built upon our next-generation autonomous driving hardware and software platform on our fourth Smart EV model to be launched in 2022.

Our proprietary algorithms encompass the following:

- Localization and high definition map fusion. Our high precision localization capability is based on the fusion of (i) positioning sensors, including real time kinematic (RTK)-enabled dual frequency GPS receiver and high-precision inertial measurement unit (IMU), which in combination offer meter-level global positioning accuracy in all conditions with XPILOT proprietary localization algorithms, and (ii) Amap high definition map, which further enhances the positioning accuracy to decimeter-level with rich geometry and semantic features from the high definition map to enhance autonomous driving capabilities. Our XPILOT 3.0 also offers Surrounding Reality (SR) display function, which shows vehicle status and its surrounding environment on the central panel, integrating the comprehensive, accurate and real-time data of high definition map. The SR display can enhance the users' assisted autonomous driving experience through clear and vivid 3D display.
- Perception algorithm and sensor fusion. XPILOT utilizes deep learning neural network and is capable of complex computer vision tasks, including recognizing a wide range of objects in various driving scenarios. We train our algorithms through field data. For example, we completed extensive virtual training and test driving through our test fleet before deploying XPILOT 3.0. After the testing process, we continuously train our algorithms by using field data collected from vehicles on the road. As of March 31, 2021, our autonomous driving data set

contained around 5.9 million annotated images used for algorithms training purposes, which continue to expand rapidly with continuous accumulation of field data. Meanwhile, all camera perception outputs are fused with radar signals to generate a 360-degree view of the surroundings of the vehicle.

- Behavior planning, motion planning and control. Through the development of XPILOT 2.5, we have built a strong in-house capability of motion planning and control. To navigate the vehicle safely and smoothly under different driving conditions, XPILOT employs behavior planning algorithm to understand the semantics of the current environment and make the decision on the vehicle behavior, such as to follow the lead vehicle, to change lane and surpass the slow lead vehicle, or to nudge towards the left side of the lane to show intention to initialize a lane change. We have built up algorithm development and comprehensive simulation capability for behavior planning.

Our research and development efforts benefit from our closed-loop data capability, which offers us valuable data based on usage of autonomous driving system. In particular, we collect sensor data relating to instances when a driver has to take control over the vehicle from XPILOT. By analyzing such data, we are able to improve the autonomous driving capabilities of our Smart EVs faster than the OEMs that rely on third-party autonomous driving solutions.

Our autonomous driving capabilities are supported by computing platforms supplied by world-leading technology companies. For example, XPILOT 3.0 is powered by NVIDIA DRIVE AGX Xavier platform, featuring one of the most advanced and fastest processors designed for autonomous driving in commercial production. As part of our self-designed E/E architecture, the in-car Ethernet enables high-bandwidth and real-time communication to support autonomous driving capabilities.

While several global OEMs have also invested significant resources into autonomous driving, we believe their products are not sufficiently localized for the Chinese market. On the other hand, XPILOT is designed to address China's specific road conditions, including unique lane arrangements and traffic lights, non-standard trucks on highways, bicycles and motorbikes on urban streets, as well as different types of construction signs and traffic signs. In addition, our automated parking function is capable of addressing parking challenges in Chinese cities where spaces are often small and have irregular layouts. We believe our localized approach enables XPILOT to better serve Chinese customers, compared to autonomous driving solutions offered by global OEMs and top-tier suppliers.

Our In-car Intelligent Operating System—Xmart OS

Xmart OS, our in-car intelligent operating system, supports a smart cockpit that delivers a seamless, easy-to-use, and voice-controlled smart mobility experience. Xmart OS enables a broad range of smart connectivity functions, such as AI voice assistant, smart navigation and an app store, which are also supported by high-speed connectivity that we offer to our customers. Our operating system, Xmart OS 2.5.0, was rolled out through an OTA firmware update in January 2021, consisting of a number of new functions and updates covering multiple modules, including the NGP for highway driving, full-scenario voice assistance, in-car app ecosystem, and personalized settings. In addition, in June 2021, we rolled out

our Xmart OS 2.6.0 through an OTA firmware update to the P7 and introduced new functions and updates, including the Valet Parking Assist, an advanced automated parking function.

- AI voice assistant. Our AI voice assistant is capable of supporting natural and continuous dialogs without having to be activated repeatedly, and while it responds, a person can interrupt to give a new voice instruction. We have developed natural language processing and natural language understanding capabilities based on deep-learning neural networks, which can identify keywords, categorize text and understand semantics. In addition, the AI voice assistant can focus on instructions from one person without being distracted by the voice from others in the vehicle, based on our deep-learning neural network technology, which can dynamically reduce semantic noises in the vehicle. As a result, interactions between the AI voice assistant and our customers have become more natural. Leveraging our full-duplex concurrent voice streaming technology, our AI voice assistant currently can receive and execute as many as 10 requests in only 25 seconds. Furthermore, it can execute requests covering a broad range of scenarios. In 2019, 2020 and the first quarter of 2021, the utilization rate for our AI voice assistant remained over 99%.
- Smart navigation. Instead of taking the approach commonly adopted by other OEMs, which is to source navigation systems from third parties, our self-development approach enables us to offer a navigation system that delivers a superior customer experience and improves the system rapidly. We have built a highly customized navigation system based on Alibaba's Amap engine, and we have adopted Amap's high definition map for our advanced autonomous driving system. As a result of our self-development approach, we achieve better coordination between the autonomous driving system and the navigation system. Furthermore, we are able to conveniently integrate points of interest, such as charging stations, parking lots and restaurants with our navigation system. In March 2021, approximately 54% of our customers chose to use our in-car smart navigation to guide their journeys every day. In March 2021, the monthly average utilization rate of our in-car smart navigation function was approximately 97%.
- Ecosystem for third-party apps and service. Leveraging our in-car app store, we have built a broader ecosystem to better serve our customers. The in-car app store offers a wide selection of apps, including those relating to music, audio books, games and video, thereby making the in-car experience more enjoyable. The in-car app store is open to third-party apps and expandable. To build our smart connectivity ecosystem, we have also opened certain vehicle hardware functions to third-party apps. For example, a karaoke app has been integrated with the P7's ambient lighting and audio system. In addition, we have deployed Alipay on the P7, which allows our customers to conveniently pay for transactions on in-car apps.
- Digital car keys. We have developed two types of digital car keys to enhance customer convenience. First, our XPeng mobile app offers a car key function by utilizing Bluetooth. Through the XPeng mobile app, a customer can conveniently authorize another person to access his or her Smart EV. Second, through collaboration with third parties, we have enabled car key functions on certain third-party devices equipped with NFC capabilities, including smart phones and smart watches. Based on the digital car key, our Smart EV automatically switches to a driver's personalized setting, including those relating to seat position and entertainment.

- Intelligent recommendations. Xmart OS makes intelligent recommendations that are based on customer behavior, customer preferences, vehicle conditions, traffic conditions or other relevant factors. Many of the recommendations are developed through big data analytics. For example, Xmart OS may recommend nearby parking lots and charging stations, alternative routes to avoid traffic congestions or turning on autonomous driving under suitable conditions.
- Remote control. Our XPeng mobile app also offers various remote control capabilities, such as (i) remotely activating the sentry mode to monitor security risks and (ii) remotely turning on air conditioning before entering the vehicle.

OTA Firmware Updates

Our technological capabilities in software and hardware integration and E/E architecture enable us to effectively deliver OTA firmware updates. We are differentiated from certain incumbent OEMs, which typically provide updates through offline dealerships. Our OTA capability allows us to frequently upgrade our Smart EVs throughout the product lifecycle, and enables our customers to enjoy more functions and better user experience. A customer can conveniently schedule the time for an OTA update through our XPeng mobile app. By bringing our latest technologies to our customers, OTA updates extend our customer engagement beyond Smart EV delivery and help us further enhance customer loyalty.

We seek to make as many functions OTA upgradable as practicable. Many of the ECUs on the G3 and almost all of the ECUs on the P7 can be updated through OTA. For example, the OTA update in October 2020 covered 35 ECUs, including vehicle control unit, battery management system, sensor control unit and autonomous driving control unit. Our OTA capability also allows us to introduce new value-added service offerings. In January 2021, we introduced an OTA firmware update to the P7 with over 40 new features, including the NGP for highway driving of our autonomous driving system XPILOT 3.0, and our in-car intelligent operating system Xmart OS 2.5.0. As of March 31, 2021, we have completed 15 major OTA firmware updates with 55 new features added to the G3, as well as seven major OTA firmware updates with 73 new features added to the P7. In addition, in June 2021, we rolled out our Xmart OS 2.6.0 through an OTA firmware update to the P7 and introduced new functions and updates, including the Valet Parking Assist, an advanced automated parking function.

Closed-Loop Data

Our in-house developed autonomous driving system and intelligent operating system enable us to collect field data from our Smart EVs. We focus on customer experience and strive to continuously improve the features on our Smart EVs. Our closed-loop data capability is designed to improve our software by analyzing field data, and we then deploy new technologies to our Smart EVs through OTA firmware updates.

As the number of our Smart EVs increases on the road, we will gain more insights as to the customer experience with XPILOT and Xmart OS by analyzing field data. With respect to XPILOT, we collect sensor data relating to instances when a driver has to take control over the vehicle from the system. With respect to Xmart OS, we gain insights on customer preference to provide a better customer experience. For example, we continuously improve the ability of Xmart OS to make intelligent recommendations, which may relate to

navigation, safe driving, charging options, infotainment or other aspects of the in-car experience. The following diagram illustrates the process of closed-loop data:



Note:

(1) As of March 31, 2021

Powertrain

Our Smart EVs' powertrain consists of the battery system, electric drive system, high voltage system and vehicle control unit, or VCU. Powertrain plays a critical role in our ability to deliver safe and high-performance EVs at competitive prices. Leveraging our superior in-house research and development capabilities, we are able to differentiate our Smart EVs in key powertrain features, such as battery safety, range, noise, drivability and digitization. The powertrain's ECUs are amenable to OTA firmware updates, which enables us to improve the powertrain's functions and customer experience after delivery.

Battery System

Our Smart EVs' battery system utilizes high-energy density battery cells, which are packed into modules and fastened to a high-strength aluminum frame. Through our research and development efforts, we seek to enhance the energy density of the battery pack and reduce its cost, while also maintaining its safety, reliability and longevity. In addition, we believe the flexibility of our battery system will enable us to leverage technological advancements of battery cells.

We utilize lithium NCM cells and LFP cells for our batteries. In particular, we collaborated with a top-tier supplier to develop the P7's battery cells, which offer high energy density and low height. In March 2021, we introduced new versions of the G3 and the P7 powered by LFP battery to provide a wider range of options for our customers. We also focus on the safety and longevity of battery cells in the development process, and battery cells have been subject to extensive testing. The protection offered by the battery pack and the safety functions of the battery management system also contribute to the safe operation of battery cells.

The G3's battery pack is designed in-house and produced either by a contract manufacturer or in-house. We both design and produce the P7's battery pack in house, which allows us to improve product quality and reduce cost. We apply sophisticated techniques to make the battery pack both strong and well-sealed. The battery pack has water-and-dust resistance capabilities that reach IP68, the highest standard in the industry, as it can be immersed underwater at one-meter depth for 48 hours without leakage. The structure and materials used in the battery pack are optimized for thermal management and thermal conduction. In addition, we fill non-combustible materials among battery cells, and we optimize the placement of the high-voltage electrical circuit within the battery to enhance electric safety in the event of a collision. The rigor of our stress tests for battery system exceeds industry standards, and our stress tests cover such areas as shaking, compression, thermal disorder, water-tightness and electric insulation. As a testament to the safety of batteries, our Smart EVs had been driven for an estimated total of 836 million kilometers, as of March 31, 2021.

Our battery management system, or BMS, is designed in-house to optimize battery performance. It monitors the status of each battery cell in real time and ensures the safe functioning of the battery system through comprehensive troubleshooting mechanisms. Our BMS accurately calculates the remaining battery capacity, and the accuracy of such calculation is essential to the battery's safety and longevity, as well as a customer's driving experience. In addition, our BMS has strong thermal management capabilities. It intelligently monitors changes in battery temperature and activates the relevant cooling or heating mechanisms to keep the battery within the optimal temperature range. To ensure the battery's longevity, our BMS keeps the temperature difference among battery cells within five degrees Celsius, thereby maintaining uniform performance within the battery system.

Our batteries are capable of rapid charging, which offers our customers a convenient experience. For example, the P7's battery pack can be charged from 30% to 80% of its battery capacity in less than 30 minutes. Furthermore, the P7's battery pack demonstrates durable cycle performance and retains over 90% of its initial capacity after approximately 160,000 kilometers of mileage.

Electric Drive System

The electric drive system uses the electricity supplied by the battery to deliver the power that drives an EV, and mainly consists of an electric motor, a motor control unit and a fixed gear transmission. We have designed a three-in-one electric drive system for the P7, which combines the three main components into one integrated platform. Compared with the traditional decentralized electric drive layout, our three-in-one electric drive system has a more compact structure that weighs less and achieves higher power efficiency.

We have designed high-performance electric motors for our Smart EVs. For example, the P7 features permanent-magnet synchronous motors. The P7's rear motor offers a maximum power of 196 kW, and the rear-motor electric drive system has a high power density of 2.0 kW/kg. To differentiate our Smart EVs, we have developed our own electromagnetic solution, and our supplier optimizes electric motors based on our solution. As a result, our P7's electric motors achieve industry-leading noise reduction capability.

As a result of our strong system integration capabilities, we are able to optimize the drivability of our Smart EVs. Our OTA capability will allow us to introduce new driving modes for our Smart EVs. In addition, we have digitized the electric driving system, and we are able to remotely diagnose and resolve certain problems in the system.

High-Voltage System

Our high-voltage system is designed in-house and manufactured by suppliers based on our specifications for each component. Our high-voltage system is reliable, safe and cost-efficient. The high-voltage system mainly contains an on-board charging system, a DC-to-DC converter and high-voltage wiring. The on-board charge converts alternating current supplied by a charging source to direct current for battery charging. The DC-to-DC converter converts high-voltage direct current supplied by the battery pack to low-voltage direct current for the E/E architecture.

VCU

The VCU coordinates the powertrain's other subsystems, including the battery system, the electric drive system and the high-voltage system. The VCU receives instructions and information from the driver and certain systems of the vehicle, including the autonomous driving system, the chassis and the braking system, and controls the powertrain's operation. By monitoring and coordinating the status of the powertrain's subsystems, the VCU allows the powertrain to function efficiently as an integrated system.

We design both the software and certain hardware of the VCU in-house to continuously improve its functions. Our VCU offers a variety of driving modes to satisfy different driving needs and achieves good drivability through precise calibration. In the P7's four-wheel drive configuration, the VCU intelligently controls the torque based on the driving mode, vehicle acceleration and other relevant factors to offer a tailored driving and handling experience. The VCU also enhances the vehicle's energy efficiency by, among other things, optimizing energy recycle and torque distribution.

Electrical and Electronic Architecture

We design the E/E architecture for our Smart EVs to enable seamless integration of software and hardware and rapid technology innovations. The E/E architecture is connected to a central gateway module, with ECUs performing specific functions in different parts of the vehicle. The E/E architecture in our Smart EVs mainly supports the following functions.

- In-car communications and data transmission. Our E/E architecture features Ethernet that offers 100 megabits per second bandwidth for in-car communications and supports data transmission with the cloud. In contrast, a traditional ICE vehicle is typically not equipped with Ethernet.
- Autonomous driving. The in-car Ethernet enables high bandwidth communication to support autonomous driving capabilities, including instantly transmitting high volume of data from sensors, such as 360-degree panoramic cameras.
- Smart cockpit. With enhanced computing power, our smart cockpit features, among other things, games, videos and 3D visual effects.
- Connectivity capabilities. Our Smart EVs offer data transmission and uploading capabilities through the 4G network. In addition, digital car keys are enabled by NFC or Bluetooth.

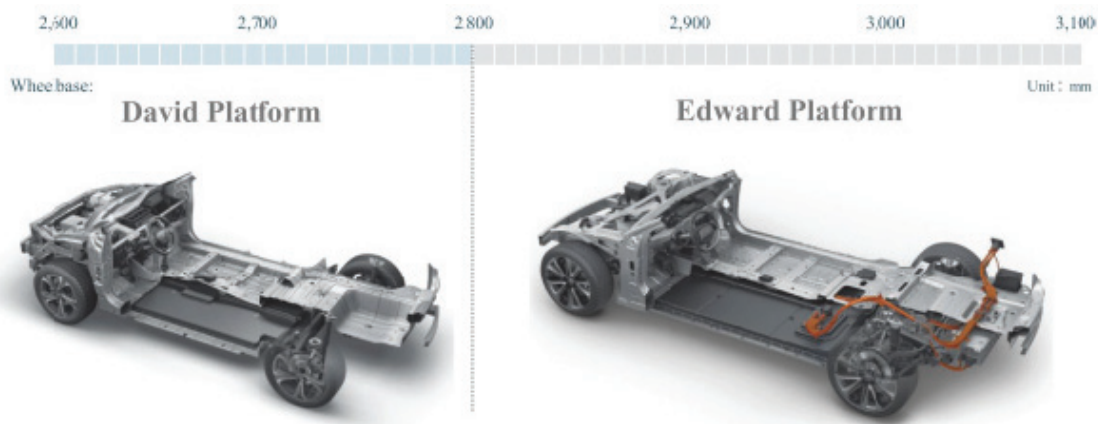
VEHICLE DESIGN AND ENGINEERING

We have strong in-house capabilities in vehicle design and engineering, covering the entire product development process from conception to completion. Our vehicle design and engineering team has deep technical expertise in the design and development of vehicle's body, interior and exterior, as well as chassis, thermal management, electrical engineering, embedded system and vehicle integration.

We have a robust vehicle development process, including corporate technical standards, product development process and quality assurance process, to ensure high quality standards, as well as cost and time efficiency. We implement a strict verification process to ensure that our Smart EVs meet the designed specifications at each of the component level, system level and vehicle level. Before launching a model, we test its durability through a mileage accumulation fleet. We also utilize computer-aided engineering simulations to optimize our product design, which have enabled us to reduce our Smart EVs' vibration and noise. We have labs and testing sites that allow our engineers to design, analyze and validate our Smart EVs at all levels.

Leveraging our strong design and engineering capabilities, we have developed and delivered two models, the G3 and the P7, based on two highly flexible Smart EV platforms, David and Edward, respectively. In addition, we also unveiled our third Smart EV model, the P5, based on the David platform. The David platform has been designed for vehicles with wheelbases ranging from 2,600 millimeters to 2,800 millimeters, and the Edward platform has been designed for vehicles with wheelbases ranging from 2,800 millimeters to 3,100 millimeters.

The following pictures illustrate the David platform and the Edward platform:



We plan to launch new models based on the two Smart EV platforms over the near term. Specifically, our fourth Smart EV model will be an SUV based on the Edward platform. Other than the existing two Smart EV platforms, David and Edward, we have also commenced developing a new platform. We plan to expand our product portfolio with offerings that meet different customer preferences within the mid- to high-end segment of China's passenger vehicle market. By leveraging this multi-platform strategy, we expect to enjoy high cost-efficiency in research and development and accelerated speed in launching new products with proven reliability. We also expect our platform approach to enhance manufacturing efficiency and achieve economies of scale, as models based on the same platform may share a significant number of common components.

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SALES AND MARKETING

Our Sales and Service Network

China

We have an omni-channel sales model, which combines a data-driven and targeted online marketing strategy with a physical sales and service network. We seek to cost-efficiently expand our customer reach and grow sales, while delivering a consistent brand image, customer experience and price across all channels.

Customers are increasingly associating smartness, quality and performance with our brand. According to surveys we conducted with our customers, top reasons why customers chose our products include attractive design, interactive smart mobility experience, long driving range and advanced technology, among others.

As of March 31, 2021, our physical sales and service network consisted of 178 stores and 61 service centers, covering 70 cities in China. Of these 178 stores, 88 were direct stores and 90 were franchised stores, and of these 61 service centers, four were direct service centers and 57 were franchised service centers. Our service centers serve as delivery and after-sales service centers, where customers can pick up the EVs they ordered and access after-sales services. The following table sets forth the number of our stores and its changes in the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2018	2019	2020	2021
Direct Stores				
At the beginning of the period	—	8	37	72
Opening of new stores	8	29	37	19
Closure of stores	—	—	2	3
Net increase in the number of stores	8	29	35	16
At the end of period	<u>8</u>	<u>37</u>	<u>72</u>	<u>88</u>
Franchised Stores				
At the beginning of the period	—	—	48	88
Opening of new stores	—	48	46	4
Closure of stores	—	—	6	2
Net increase in the number of stores	—	48	40	2
At the end of period	<u>—</u>	<u>48</u>	<u>88</u>	<u>90</u>
Total	<u>8</u>	<u>85</u>	<u>160</u>	<u>178</u>

We started to establish our direct stores in the end of 2018. To accelerate the expansion of our physical sales and service network, we started to roll out franchised stores in June 2019. The closure of

stores during the Track Record Period was mainly due to adjustment of our sales network and the expiry of leases. We strategically locate a substantial majority of our stores in shopping malls, as we believe such locations enable us to raise our brand awareness and attract customer traffic in a cost-efficient manner. We seek to expand our sales network by establishing additional direct stores and franchised stores, taking account of macroeconomics, market conditions and our regional focus.

Our direct stores integrate functions including display, sales and test drive, providing our customers with convenience, efficient and personalized purchasing experience. The direct stores allow customers to view our Smart EVs in person and purchase through online system from us at the stores. Other than the displayed Smart EVs, our direct stores generally maintain a low inventory level, which reduces the amount of capital required for operating such stores.

When selecting franchisees, we consider various factors, including industry experience, marketing capabilities and financial condition. Our franchisees are Independent Third Parties and are mainly national sales groups and regional sales companies that are specialized in vehicle sales and have sufficient financial resources for setting up and operating our franchised stores. Our franchisees have extensive experience in vehicle sales, repair and maintenance services. We enter into franchise agreements with our franchisees, in which we grant them non-exclusive rights to market our products in certain areas. Our franchised stores promote the sales of our products by providing services including product presentation and test drive to our customers. Following selection of our products in the franchised stores, our customers will place orders directly with us through online systems in the franchised stores. Upon receiving the full payment from the customers, we will arrange the deliveries of Smart EVs to the customers through our stores or service centers. Under this model, our franchised stores do not enter into sales agreements with the customers, carry any inventory (other than the displayed Smart EV) or have any rights to adjust the product prices.

The following sets forth a summary of material terms of our franchise agreements:

- The franchise agreement has an initial term of one year, and is renewable by mutual consent.
- We set up monthly minimum sales targets for our franchisees.
- The franchisees are not permitted to sell outside their respective designated regions.
- The franchisees are not allowed to enter into transaction agreements directly with or receive funds from customers.
- The franchisees are not allowed to make recommendations to customers of products that are not designated by us.
- The franchisees are not allowed to assign rights and obligations under the franchise agreements to third parties.
- The franchisees may only use our trademarks for the purpose of performing the franchise agreement in accordance with our policy.
- We have no obligation to repurchase any assets procured by the franchisees.
- The franchisees should follow our internal policy and criteria for store design.
- The franchisees agree to organize trainings for their employees following our requirements.
- If the monthly sales targets are not met for three consecutive months, we may terminate the franchise agreement at our discretion.

We provide guidance and trainings to these franchised stores in terms of marketing strategies, product features and customer services. We monitor the operations of the franchised stores to ensure their

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compliance with our policies and operating requirement through customer survey and monthly internal risk analysis. We also contract third parties to carry out on-site visit of our franchised stores and evaluate their performance on a monthly basis.

We offer a consistent brand image, customer experience and price across direct stores and franchised stores. For example, our trainings for sales staff and specifications for store design are consistent across direct stores and franchised stores. We pay franchisees commissions based on their sales volumes and customer satisfaction. The total commissions paid to our franchisees amounted to nil, RMB20.7 million, RMB230.4 million and RMB77.1 million (US\$11.8 million) in 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. We centrally plan our marketing activities and implement them consistently across all stores. Our franchise model has allowed us to expand our sales and service network rapidly. We are also exploring opportunities with our partners in China to expand our sales channel.

Overseas

During the Track Record Period, substantially all of our products and services are sold in China. However, we have also tapped into overseas markets. In December 2020, the first batch of the European version of the G3 was delivered to customers in Norway, and a second batch was shipped in the first quarter of 2021. We partner with a local distributor to sell our Smart EVs in Norway to generate sales and promote brand awareness for our products. It has been an asset-light and cost-effective approach to reach a diverse customer base, and to capture opportunities overseas. In 2020 and the three months ended March 31, 2021, revenues generated from such distributor in Norway amounted to RMB24.6 million and RMB77.6 million, representing 0.4% and 2.6% of our total revenues, respectively. We plan to continue to expand into other international markets, starting with certain European markets. We aim to build and enhance our overseas sales and service capability, and to adapt the user interfaces of our software systems to optimize our products and services for consumers in overseas markets.

Pricing

We price our products considering a variety of factors, such as product positioning, government subsidy policy, competitive landscape, spending patterns of target consumers and production costs.

Government Subsidies

Qualified purchasers of new energy vehicles are entitled to subsidies from China's central government and certain local governments. For the purposes of efficiency and customer services, we apply for and collect the government subsidies on behalf of our customers, and such subsidies are paid directly to us once granted. Accordingly, the payments made by our customers are net of government subsidies. We recognize government subsidies as part of the revenues generated from vehicle sales, as the customers remain liable for the amount of subsidies in the event the government does not pay such subsidies for reasons attributable to the customers.

An NEV with a selling price no more than RMB300,000, before subtracting government subsidies, can apply for government subsidies if certain criteria are met. As such, purchasers of all of the G3 and a portion of the P7 are eligible for government subsidies. The government subsidies for each unit of the G3

BUSINESS

and the P7 range from RMB12,600 to RMB18,000 and from RMB12,600 to RMB19,800, respectively. We expect the government subsidies for the P5 to be approximately RMB15,000 per unit in 2021. In accordance with relevant regulations and policies, the government subsidies for NEVs have been declining in the past and the subsidy amounts in 2020, 2021 and 2022 are generally reduced by 10%, 20% and 30%, respectively, compared to the subsidy amounts of the previous year. The NEV subsidy policy is currently extended to the end of 2022. See “Regulatory Environment—Favorable Government Policies for New Energy Vehicles—Government Subsidies for New Energy Vehicles Purchasers” for details of the subsidy policies. These policies are subject to certain limits as well as changes that are beyond our control. Any uncertainty or delay in collection of the government subsidies may also have an adverse impact on our financial condition. In the meantime, as the public acceptance and penetration of NEVs has gradually increased, we had not experienced any material decline of sales that was primarily resulted from the reduction of subsidies during the Track Record Period.

Marketing

We actively engage in data-driven and targeted online marketing through a variety of channels to further enhance our brand recognition and acquire customers. We mainly utilize (i) our own XPeng website and mobile app, (ii) our official accounts on online social media platforms, such as Weibo, WeChat, Kuaishou and Douyin, (iii) advertising placements on online portal, such as general news portals and auto news portals, and (iv) our online stores on e-commerce platforms, such as Tmall. As of March 31, 2021, we had an aggregate of approximately 2.8 million followers on social media and e-commerce platforms. We are able to precisely and efficiently allocate online leads acquisition based on our own real-time order conversion data. In the first quarter of 2021, over 50% of our orders were converted from leads generated through our online channels.

COMPREHENSIVE SERVICES

We offer our customers a comprehensive suite of charging solutions and after-sales services, as well as various value-added services. These services offer our customers a convenient experience and enable full lifecycle engagement with our customers, which in turn improves their loyalty.

Charging Solutions

We aim to offer our customers a convenient charging experience by giving them access to a wide and expanding charging network in a cost-efficient manner. Our customers can choose to charge their EVs by home chargers, XPeng-branded super charging stations or third-party charging piles connected to our charging network. We will continue to expand the XPeng-branded super charging network coverage, to provide greater accessibility and enhanced charging experience to our customers. Since September 2020, we started to provide a free charging program to qualified car owners in select cities, and such program has been expanding rapidly and already covered 140 cities in China as of March 31, 2021. Other than the qualified car owners of our free charging program, other car owners will pay for the charging services provided at XPeng-branded super charging stations and certain third-party charging stations.

- Home charging. We offer installation of home chargers for our customers. For our individual customers in China, such service is provided on a cost-free basis. As of March 31, 2021, over 50% of our customers had installed our home chargers.

- XPeng-branded super charging stations. As of March 31, 2021, we operated 172 XPeng-branded super charging stations, covering 60 cities in China. On average, each XPeng-branded super charging station has about six to seven super chargers, which has a peak power output of 120kW. XPeng-branded super charging stations are available 24/7. We are one of few EV companies that have established their own charging networks in China, and we will continue to strategically expand the network of our XPeng-branded super charging stations to better serve our customers. We also plan to make self-operated super charging stations for exclusive use of our customers in the future. We believe the XPeng-branded super charging stations allow us to enhance our brand recognition and provide differentiated user experience to our customers, and we plan to further expand the number of XPeng-branded super charging stations.
- Third-party charging piles. As of March 31, 2021, we offered a charging network that is connected to over 200,000 third-party charging piles across China, including those operated by large-scale service providers, such as TELD. We plan to expand the charging network available to our customers primarily by partnering with third parties. Both our in-car navigation system and mobile app can assist our customers to find the nearest available charging pile. Customers can use our XPeng mobile app to pay for charging at both XPeng-branded super charging stations and third-party charging piles.

After-Sales Services and Warranty

We provide efficient after-sales services both offline and online. Offline services are available at our service centers and cover repairs and maintenance for our Smart EVs. We also provide online after-sales services, which are enabled by our cloud capabilities and high-speed connectivity of our Smart EVs. Our system is able to monitor vehicle performance status in real time, remotely diagnose certain vehicle malfunctions and potential issues and recommend solutions to prevent problems. Certain software-related issues can be resolved remotely through OTA updates. In the first quarter of 2021, over 70% of after-sales service requests were addressed by our remote help desk. In addition, we have developed an intelligent remote diagnosis system, which detects potential system error before it occurs to ensure vehicle safety.

We allow customers to return or exchange EVs for quality issues in compliance with relevant PRC laws and regulations. During the Track Record Period, the total amount of products returned amounted to nil, RMB0.60 million, RMB0.16 million and RMB0.23 million (US\$0.04 million) in 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. During the Track Record Period and up to the Latest Practicable Date, there were no material product returns, product liability claims, warranty expenses or customer complaints that adversely affected our business. To our best knowledge, during the Track Record Period, our Smart EVs were not involved in any material accident caused by defects in our Smart EVs, or deficiencies in our autonomous driving system or charging facilities during the Track Record Period.

In January 2021, we voluntarily initiated a recall plan for 13,399 units of the G3 due to defects on their inverters, which may cause failure to start when parked or loss of power when driven. The scope of the recall covers all the G3s with such defective inverters and a portion of the G3s manufactured between March 2019 and September 2020. In connection with the recall, we undertake to replace the inverters of these G3s free of charge. We have notified the owners of the recalled G3s about the recall plan by sending registered mails and giving telephone calls to these G3 owners and sending push notifications through the XPeng mobile app. As

of the Latest Practicable Date, the Company had completed the replacement of the inverters for approximately 80% of the recalled G3s and returned them to the customers. We did not face any material product liability claims from such recalled products as of the Latest Practicable Date. Although we believed that there was no immediate safety risk in these products and there was no material accident incurred, we voluntarily recalled these vehicles with a view to better protect our customers' safety and interests. As the relevant component supplier is responsible for the costs of replacing inverters, our costs and expenses for the recall are minimal. The Group did not incur any material losses in relation to the recalls as of the Latest Practicable Date. Although we had conducted quality control in accordance with relevant international and domestic standards, the occurrence of the defects in the inverters, which was resulted from the tin whisker growth, is random and difficult to be detected. In order to prevent such defects, we have made structural changes to the G3 and other models, optimized the verification and evaluation criteria in the test phase and improved the assessment and training mechanism for our employees.

We offer competitive warranty terms. To retail customers who purchased the G3, we offer (i) a four-year or 100,000-kilometer warranty and (ii) an eight-year or 150,000-kilometer warranty for critical components, such as battery pack, motors and VCU. To retail customers who purchased the P7, we offer (i) a five-year or 120,000-kilometer warranty and (ii) an eight-year or 160,000-kilometer warranty for critical components. With respect to each Smart EV model, we also offer a two-year or 50,000-kilometer warranty covering vehicle repair, replacement and refund, in the event of certain product malfunctions specified in the applicable regulation. We generally make provisions for product warranty by reference to the sales volume and the expected unit costs for warranty services. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had product warranty provisions in the amount of RMB0.073 million, RMB34.60 million, RMB111.35 million and RMB148.17 million (US\$22.6 million), respectively. For the three years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, our warranty expenses amounted to nil, RMB0.58 million, RMB0.93 million and RMB3.91 million (US\$0.6 million), respectively.

Other Services

We also offer the following services.

- Insurance agency service. We assist our customers to obtain automotive insurances from insurance companies. To offer a convenient experience, we leverage the sentry mode function to help customers submit photos of accidents when making insurance claims.
- Automotive loan referral and finance lease. We cooperate with banks and connect them with customers who seek automotive financing solutions. To complement the banks' services, we also offer finance leases to our customers through a wholly-owned subsidiary, and we record the relevant finance leases on our balance sheets.
- In-car payment. We have deployed Alipay on the P7, enabling customers to conveniently make transactions on in-car apps. In addition, our customers will be able to set up automatic payment for tolls and parking fees through the in-car Alipay app in the future.
- Ride-hailing service. To enhance our brand recognition and allow more people to experience our Smart EVs, we have deployed a small number of our Smart EVs to offer ride-hailing service in

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Guangdong province on a trial basis. To ensure the safety of drivers and passengers, we have established a monitoring system, which helps us to locate vehicles, set drowsy driving alert and record vehicle mileage. We also collect information on weather and road conditions and send updates to drivers in a timely manner. In addition, we also have a set of policies in place to provide regular safety trainings to drivers, set up a rapid response mechanism for accidents and emergencies and manage operating Smart EVs by daily maintenance and annual review. Furthermore, drivers are required to drive within the designated areas and are prohibited from using the vehicles for purposes other than providing ride-hailing service or lending the vehicles to other drivers. We have also maintained operating insurance for vehicles and liability insurance for drivers under our ride-hailing service. We establish specified files for each vehicle to record their operating data, maintenance conditions and repair records and maintain such files for at least 36 months. We have no current plan to scale up our ride-hailing service.

- Premium music subscription service. We introduced a premium music subscription via OTA firmware update in June 2020, which provides a high fidelity music experience supported by the premium audio system and ambient lighting in our Smart EVs.

MANUFACTURING

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We take a lean production approach, with the aim of continuous optimization in operating efficiency and product quality.

We started production of the P7 at our plant in Zhaoqing, Guangdong province, in May 2020. We produce the G3 through a contract manufacturing collaboration with Haima Automobile Co., Ltd, or Haima, in Zhengzhou, Henan province. Such arrangement allows us to retain effective control over the supply chain, manufacturing process and quality control with minimal initial capital expenditure, at the initial stage of our development. The Zhaoqing plant and the Haima plant have annual production capacity of up to 100,000 units and 150,000 units, respectively. To further expand our production capacity, we are planning to construct new Smart EV manufacturing bases in Guangzhou and Wuhan with expected annual production capacity of up to 100,000 units each.

The following table sets forth the designed production capacity, production volume and capacity utilization rate of each of Zhaoqing plant and the allocated capacity of Haima plant during the Track Record Period:

	For the year ended December 31,									Three months ended March 31,		
	2018			2019			2020			2021		
	Designed Capacity	Production Volume	Utilization Rate ⁽¹⁾	Designed Capacity	Production Volume	Utilization Rate ⁽¹⁾	Designed Capacity	Production Volume	Utilization Rate ⁽¹⁾	Designed Capacity	Production Volume	Utilization Rate
	(units)	(units)	(%)	(units)	(units)	(%)	(units)	(units)	(%)	(units)	(units)	(%)
Haima Plant . . .	8,333 ⁽²⁾⁽³⁾	536	6.4	50,000 ⁽³⁾	16,243	32.5	50,000 ⁽³⁾	11,692	23.4	12,500	5,080	40.6
Zhaoqing Plant .	N/A	N/A	N/A	N/A	N/A	N/A	66,667 ⁽⁴⁾	17,805	26.7	25,000	9,627	38.5

Notes:

(1) The utilization rate equals to the production volume divided by the designed capacity during the same period.

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- (2) The production lines for the G3 in Haima plant were put into operation in November 2018. The designed production capacity of Haima plant for 2018 was calculated as the sum of the monthly designed production capacity of two months.
- (3) Haima plant has a total annual production capacity of up to 150,000 units, of which an annual production capacity of 50,000 units is exclusively allocated to the production of the G3.
- (4) The production lines of Zhaoqing plant were put into trial operation in April 2020 with official operation starting from May 2020. The designed production capacity of Zhaoqing plant for 2020 was calculated as the sum of the monthly designed production capacity of eight months.

The increase in utilization rate of Haima plant in 2019 was primarily because most of the orders accumulated in 2018 were produced in the first half of 2019. The decrease in utilization rate of Haima plant in 2020 was primarily due to the COVID-19 pandemic in China and the focus of our sales and marketing efforts on the P7. During the Track Record Period, our self-produced Smart EVs produced in 2018, 2019, 2020 and the three months ended March 31, 2021 accounted for nil, nil, 60.4% and 65.5% of our total Smart EVs produced during the same periods, respectively.

Zhaoqing Plant

The Zhaoqing plant currently occupies a parcel of land of over 600,000 square meters and has a construction area of over 230,895 square meters. The plant has a designed annual production capacity of 100,000 units. We have completed the requisite registration and obtained the key regulatory approvals for the production of the P7 at the plant by May 2020. We have committed the major portion of capital expenditure required for the Zhaoqing plant by the end of 2019. We are eligible to apply for additional land use rights in Zhaoqing, which offers the potential to further expand the plant's production capacity.

Our Zhaoqing plant is an eco-friendly, digitalized and intelligent manufacturing facility, which produces multiple models concurrently based on customer orders. The Zhaoqing plant houses five highly-automated major manufacturing processes, including stamping, welding, painting and assembling and battery packing. We utilize an advanced manufacturing execution system, or MES, that coordinates a large number of robots and automated guided vehicles, or AGVs, to manage our production processes based on customer orders. In our quality control process, we utilize advanced technological systems, such as a testing system for the VCU and an intelligent calibration system for autonomous driving sensors, to ensure the quality of our Smart EVs.

By establishing our own plant, we are able to exercise direct control over product quality and gain more flexibility in adjusting our manufacturing process and production capacity. The same management team oversees the Zhaoqing plant and the Haima plant, which enables us to seamlessly transfer the experience we gained at the Haima plant to the Zhaoqing plant.

Haima Plant

In March 2017, we entered into a contract manufacturing arrangement with Haima, an Independent Third Party and listed on the Shenzhen Stock Exchange (stock code: 000572). Haima is a China-based automotive manufacturer, with over three decades of automotive manufacturing experience, and has integrated capabilities covering research and development, production, sales, services and logistics of automotives. Under the contract manufacturing agreement, Haima agreed to manufacture the G3 in a plant in Zhengzhou. The plant currently has a total annual production capacity of up to 150,000 units, of which an annual production capacity of 50,000 units is exclusively allocated to the production of the G3.

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The collaboration with Haima has enabled us to achieve rapid speed to market and scalability with minimal capital outlay at the early stage of our business. While Haima is in charge of the day-to-day operations of the plant, we retain effective control over the supply chain, the manufacturing process, testing and quality control. We take comprehensive measures to ensure that our Smart EVs are manufactured in accordance with our standards. We have dedicated production management and quality control teams on site to monitor the manufacturing process and perform quality control procedures.

The term of our contract manufacturing agreement expires on December 31, 2021, and such agreements may be renewed or terminated by mutual consent. Future collaboration with Haima after the agreement expires in December 2021 is yet to be finalized. Even if the agreement with Haima were terminated by mutual consent or its renewal were unsuccessful, we would still have the capability and capacity to timely convert part of our manufacturing capacity in the Zhaoqing plant to fully cover the manufacturing of the G3 that the Haima plant has been assigned for, and such conversion would not materially disrupt the current manufacturing activities in the Zhaoqing plant. We do not expect such conversion to have a material and adverse impact on our operations, business or financial performance, or lead to any substantial delay in the manufacturing and delivery of the G3.

Pursuant to the terms of the agreements, we pay Haima manufacturing and technology service fees on a monthly basis based on the number of Smart EVs ordered, and there is no requirement for minimum production volume. The agreements also provide pre-agreed product quality standards for Haima to comply with. We are responsible for the after-sales services of the products and Haima assumes the liability for quality issues resulting from its manufacturing and the costs in relation thereto.

New Guangzhou Plant

In September 2020, we entered into a cooperation agreement with Guangzhou GET Investment Holdings Co., Ltd., or Guangzhou GET Investment, a wholly owned investment company of Guangzhou Economic and Technological Development Zone, which is a local government authority in Guangzhou. Pursuant to the cooperation agreement, Guangzhou GET Investment agrees to support the construction of a new Smart EV manufacturing base for us in the Guangzhou Economic and Technological Development Zone. The new Smart EV manufacturing base will house a broad range of functions, including research and development, manufacturing, vehicle testing and sales. The new base has a planned annual production capacity of 100,000 units and is expected to significantly expand our production capacity. The total investment of the new Smart EV manufacturing base is estimated to be between RMB2,000 million and RMB3,000 million, which will be funded by the financing provided by Guangzhou GET Investment.

Pursuant to the cooperation agreement, Guangzhou GET Investment agrees to provide up to RMB4,000 million in financing to help our growth as well as support the construction of a new Smart EV manufacturing base in Guangzhou. In such financing, Guangzhou GET Investment will invest up to RMB1.3 billion to construct the Smart EV manufacturing base according to design requirements and specifications to be provided by us. The Smart EV manufacturing base is expected to satisfy the requirements for commencing operation by December 2022, upon which Guangzhou GET Investment will lease it to an operating subsidiary of our company for a tenure of seven years. Upon the expiry of the lease, such subsidiary will acquire the Smart EV manufacturing base from Guangzhou GET Investment at costs incurred by Guangzhou GET Investment. Guangzhou GET Investment also agreed to provide or facilitate

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RMB1.2 billion in financing to such subsidiary for its purchase of manufacturing equipment in the form of fixed-return redeemable investment or long-term bank loans.

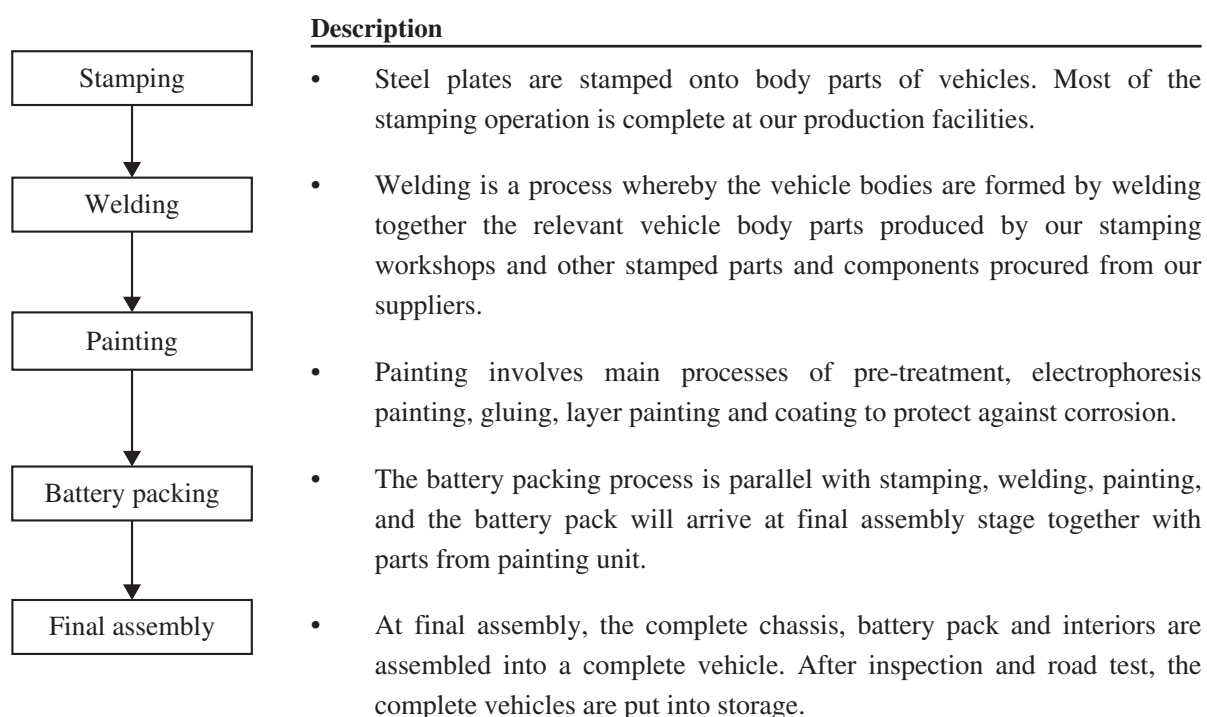
Furthermore, Guangzhou GET Investment has made an investment of RMB1 billion in Chengxing Zhidong on March 31, 2021. Guangzhou GET Investment had also reserved approximately RMB500 million for participation in our securities offerings, of which approximately RMB250 million was invested in our initial public offering in the United States in August 2020 and approximately RMB250 million is still available for additional investments in us before the end of August 2022.

New Wuhan Plant

On April 8, 2021, we entered into an investment agreement with Wuhan Economic & Technological Development Zone Management Committee, or Wuhan ETDZ Committee, a local government authority in Wuhan. Pursuant to the investment agreement, Wuhan ETDZ Committee agrees to support our construction of a new Smart EV manufacturing base and R&D center in the Wuhan Economic & Technological Development Zone (the “Wuhan Base”). The Wuhan Base has a planned annual production capacity of 100,000 units. The Wuhan Base will accelerate our momentum to achieve our goals in innovation, technological advancement and growth. The investment costs associated with the construction of the Wuhan Base will be funded by the government financing support. The details of the construction plan of the Wuhan Base is under preliminary planning and subject to a number of uncertainties.

Production Process

Production process varies among the different models and different plants. The following chart illustrates the principal steps in the production of our Smart EVs at our Zhaoqing plant:



Quality Control

We implement full-cycle quality control, covering design, procurement, production, sales and after-sales services. Our quality assurance measures help us maintain our high standards for products and services. Before we launch a new model, we subject the prototypes to rigorous testing to identify and address potential weaknesses. We tested our new model under a variety of environmental conditions, such as mountains, deserts and snow fields. We evaluate our suppliers to ensure that their processes and systems are capable of delivering the components that meet our technical specifications.

Our development and production processes are supported by a rigorous validation and quality assurance program. We subject each vehicle design to a series of testing and validation to ensure the design's reliability and performance.

We rely on a holistic quality control process, which combines with our MES and quality management system, or QMS, to ensure that we achieve the highest quality standard for each Smart EV. We utilize advanced intelligent inspection methods, such as exterior inspection, battery inspection, autonomous driving system testing and sensor calibration, to conduct quality checks.

Our holistic and rigorous quality assurance process also allows us to deliver consistent and high quality services to our customers. Through our smart vehicle diagnosis and management platform, our Smart EVs can perform automated diagnosis on key components and generate corresponding alerts, thereby allowing us to provide immediate and highly efficient support to our customers. Our QMS, integrated with the after-sales services system, enables us to deploy quick and timely rectifications. Through OTA firmware updates, we can update the ECUs and continuously improve our customers' driving experience.

INTELLECTUAL PROPERTY

We have developed a number of proprietary systems and technologies, and our success depends on our ability to protect our core technology and intellectual property. We utilize a combination of patents, trademarks, copyrights, trade secrets and confidentiality policies to protect our proprietary rights. As of March 31, 2021, we had 759 patents (including 202 invention patents), 1,375 pending patent applications, 504 registered trademarks and 116 pending trademark applications in China and certain other jurisdictions. As of March 31, 2021, we also had 130 registered software copyrights and 107 registered domain names, including www.xiaopeng.com.

We have adopted and implemented policies to protect our core technologies. We enter into confidentiality and proprietary rights agreements with our employees, and have due diligence questionnaires for prospective employees to assess the risks of potential dispute arising from hiring employees of our competitors. We regularly monitor the status of intellectual property rights of our products under development to avoid infringement. In addition, we include clauses relating to the ownership and protection of intellectual property rights in each of our research and development agreements with business partners. We also require our business partners to avoid infringement of intellectual property rights of other third parties.

DATA PRIVACY AND SECURITY

We are committed to complying with data privacy laws and protecting the security of customer data. We mainly collect and store data relating to the usage of the autonomous driving system and the intelligent operating system, as well as data collected through our sales and services channels. Such data primarily includes, among others, name, ID number, address, phone number, driving license information and payment information. In addition, we also collect data of our Smart EVs, including, among others, vehicle condition, location information, assisted driving information, charging status, maintenance status, as well as information of the in-car intelligent operating system, such as information relating to AI voice assistant, smart navigation, music, data traffic and third-party apps. Such information is collected with prior consent from our customers in accordance with applicable laws and regulations. Our data usage and privacy policy, which is provided to every customer, describes our data practices. Specifically, we undertake to manage and use the data collected from customers in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss, or leak of customer data and will not disclose sensitive customer data to any third party without customers' approval except under legal requirement or certain circumstances specified in the customer consent. We implement access control and account authority control for all data. We strictly limit and monitor employee access to customer data. We provide data privacy training to these employees and require them to report any information security breach. Our business partners may have access to the data collected within the scope of their service. We take various measures to protect such data, such as entering into separate confidentiality agreements with our business partners, adopting encrypted data storage and transformation and de-sensitive and de-identify personal information.

We use a variety of technologies to protect the data with which we are entrusted. For example, we segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We de-sensitize customer data by removing personally identifiable information, when such information is not relevant to our business. We also store customer data in encrypted format. In addition, we encrypt our data transmission, especially customer data transmission, using sophisticated security protocols and algorithms to ensure confidentiality. We back up our customer data and operating data on a regular basis in separate back-up systems to minimize the risk of customer data loss or leakage. Whenever an issue is discovered, we take prompt actions to upgrade our system and mitigate any potential problems that may undermine the security of our system. We also have a dedicated privacy and security team and a data privacy officer responsible for privacy and data compliance. We believe our policies and practice with respect to data privacy and security are in compliance with applicable laws and prevalent industry practice. To our best knowledge, we are not aware of any material data leakage or security breach incidents during the Track Record Period. Based on the above, our PRC Legal Adviser is of the view that our policies and practice in the PRC with respect to data privacy and securities comply with applicable PRC laws in all material respects.

SEASONALITY

In general, demand for new cars typically declines in the first quarter, especially during the Chinese New Year holiday, while sales are generally higher in the fourth quarter, a traditionally major selling season for the auto industry, mainly due to nationwide auto shows and increasing vehicle purchases near year end. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results.

SUPPLIERS AND RAW MATERIALS

Raw Materials

We use various components and raw materials in our business, such as steel, aluminum, as well as lithium battery cells. Our key components primarily include battery cells and semiconductor-contained components. While we generally do not source semiconductors directly, we have been assisting our semiconductor-containing component suppliers in sourcing semiconductors from multiple semiconductor suppliers. The prices for our raw materials and components fluctuate, and thus our business and operating results are subject to variability in the cost of raw materials. To reduce price risks on the procurement side, we generally enter into framework and pricing agreements with our suppliers. In particular, we may enter into agreements with price linkage clauses with suppliers of certain components to control price volatility by adjusting the prices periodically based on the price of raw materials of such components and other factors.

Procurement

We procure components from both domestic suppliers and global suppliers. In our procurement process, we choose suppliers based on a variety of factors, such as technological expertise, product quality, manufacturing capacity, price and market reputation. To improve cost efficiency and control supply chain risk, we seek to localize our supply chain to the extent practicable and thus a majority of our components are purchased in China.

We have formed strategic partnerships with several key suppliers, such as Bosch, Brembo and CATL. Bosch is an auto parts and auto system manufacturer, Brembo is an automotive brake system manufacturer, and CATL is a leading lithium-ion battery manufacturer with research and development capabilities. Pursuant to our agreements with the key suppliers, we generally co-develop components with them for our Smart EVs, and then source such co-developed components from such suppliers. Such strategic partnerships offer us advantages in pricing, such as most favorable prices and volume based discounts, as well as access to new technologies. We have co-developed cutting-edge technology solutions with certain suppliers, and such collaboration demonstrates the suppliers' confidence in our research and development capabilities and prospects. For example, we collaborated with CATL to develop the P7's prismatic lithium NCM cells, which offer high energy density and low height. Our collaboration with CATL is not exclusive, and CATL may cooperate with other third parties to develop battery cell. Besides CATL, we also engage other battery cell suppliers.

We also collaborate with certain companies related to Alibaba Group Holding Limited in research and development by obtaining license and purchasing from them certain software and information technique services, such as Amap, Alipay and cloud computing services. We also use their marketing services to promote our products. For further information in relation to our transactions with Alibaba Group Holding Limited, see "Connected Transactions—Partially-Exempt Continuing Connected Transactions—Marketing Services" and "—Research and Development Collaboration."

In the EV industry, parts and components are generally customized for specific vehicle models, and certain complex parts could involve integrating a number of components from tier-2 suppliers which require

relatively long development cycle, therefore it is customary and more cost-efficient for an EV manufacturer to engage single-source tier-1 suppliers for certain components. Being consistent with industry practice, we also source certain components from single-source suppliers. For our raw materials, such as steel and aluminum, we generally source from multiple suppliers. For our key components, i.e., the battery cells and semiconductor-contained components, we generally source the supply of battery cells from multiple suppliers and the supply of the semiconductor-contained components used by us from single-source suppliers. While there are generally multiple alternative suppliers for semiconductor-contained components available, we generally do not arrange for alternative supply sources for these components unless the technology or cost of alternative supply is significantly more competitive than that of our current supplier, because it takes time and requires additional investments to customize and test these components. In addition, as we focus on introducing innovative product features and advanced smart technologies, we select industry leading suppliers for supplying certain key components. We have long-term cooperation on product or technology development arrangements with many of these single-source suppliers. For example, we announced our strategic cooperation with NVIDIA in 2018.

We attempt to mitigate our supply chain risk by qualifying and obtaining components from multiple sources where practicable and maintaining safety stock for certain key components. In addition, while we endeavor to maintain the established business relationships with our existing suppliers, we also recognize the importance of expanding our supplier base with a view to sustaining long-term growth. We will continue to identify and approach suitable suppliers to expand our supplier base as well as to cope with our expansion plan. However, there is no assurance that we will be able to secure additional or alternative sources of supply for most of our components at reasonable costs, or develop our replacements for certain highly customized components. See “Risk Factors — Risks Relating to Our Business and Industry — Increases in costs, disruption of supply or shortage of components and materials could have a material adverse impact on our business.” and “— We are dependent on our suppliers, some of which are single-source suppliers. Suppliers may fail to deliver necessary components of our Smart EVs according to our schedule and at prices, quality levels and volumes acceptable to us.” for details.

Our management focuses on monitoring the supply of our key components and their upstream materials, including semiconductors. For example, we took precautionary measures in anticipation of the shortage of the semiconductor supply in 2020. In addition, while we do not generally source semiconductors directly, we have been proactively assisting our component suppliers in sourcing various types of semiconductors from multiple semiconductor suppliers. Pursuant to our internal policy, we make forecast of the necessary inventory level of raw materials and components for the upcoming month and aim to prepare sufficient stock of raw materials and components accordingly. We also conduct periodic review of the accuracy of such forecasts. In addition, we enter into materials reserve agreements with some of our suppliers of semiconductor-contained components, pursuant to which the suppliers agree to maintain a safety stock inventory of the components they supply to us. Furthermore, we require some of our suppliers to promptly inform us of the component shortage, if any, in advance. As such, as of the date of this prospectus, the semiconductor supply shortage has not had a material adverse effect on our operations. To the best of our Directors’ knowledge, after having made reasonable enquiries and considering the factors described above, there is no foreseeable shortage in our semiconductor-containing components that may have a material adverse impact to our business and results of operations. However, there is no assurance that we will be able to continue to obtain sufficient volume of semiconductors at reasonable cost for our operations. See “Risk Factors — Risks Relating to Our Business and Industry — The continuing shortage in

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the supply of semiconductors may be disruptive to our operations and adversely affect our business, results of operations and financial condition.” for details.

Save as disclosed above, during the Track Record Period, we had not encountered any material shortage, delay or major difficulty in the procurement of raw materials from our suppliers.

Our Major Suppliers

During the Track Record Period, our five largest suppliers mainly include suppliers of battery cells, modules and packs and other automotive components. In 2018, 2019, 2020 and the three months ended March 31, 2021, the aggregate purchases attributable to our five largest suppliers amounted to RMB100.0 million, RMB1,328.0 million, RMB2,647.6 million and RMB1,248.9 million (US\$190.6 million), respectively, representing 10.2%, 27.5%, 31.9% and 33.5% of our total purchases, respectively. During the same periods, purchases attributable to our single largest supplier amounted to RMB26.0 million, RMB453.7 million, RMB1,878.0 million and RMB823.5 million (US\$125.7 million), respectively, representing 2.7%, 9.4%, 22.7% and 22.1% of our total purchase costs, respectively. As of March 31, 2021, we have maintained business relationships with our five largest suppliers for two to four years. We are typically granted credit terms of 30 to 90 days by our suppliers, except for certain key components and materials for which advance payments are required. We believe that we maintain strong relationships with our major suppliers.

During the Track Record Period, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company) has any interest in any of our five largest suppliers. None of the above five largest suppliers are our connected persons under Chapter 14A of the Listing Rules.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouse

We operate our warehouses for storing our finished goods and certain components and raw materials. We engage third-party logistics service providers for the delivery of all our finished goods from our production facilities to our warehouses. Raw materials and components are delivered to our production facilities directly by suppliers or through third-party logistics service providers engaged by us.

Inventory Management

Our inventory primarily includes finished products, raw materials and components. Our inventory turnover days were 39.5 days and 58.8 days in 2019 and 2020, respectively. We generally implement a just-in-time production approach and manufacture our Smart EVs based on customer orders to minimize our inventory. We also have strict inventory control policies in place to monitor our inventory levels at our Zhaoqing plant, Haima plant, and at our warehouses for finished goods.

CUSTOMERS

During the Track Record Period, our customers primarily included end users who purchase our products. We have a broad base of customers, and our five largest customers accounted for less than 5% of

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our total revenues for each of 2019 and 2020, respectively. We just started delivery of our first Smart EV model, the G3, to a small number of customers in December 2018. As a result, in 2018, our five largest customers accounted for 26.8% of our total revenues.

COMPETITION

China passenger vehicle market is a large and highly competitive market with various types of vehicles adopting different propulsion systems offered by a wide range of domestic and foreign OEMs. NEVs have been gaining market share as opposed to ICE vehicles in recent years, mainly due to the increasingly stringent government regulation and industry standards on environment and emission, continued decrease of cost of EV, and changing consumer demands and behaviors, among other factors. Within the NEV market, the market can be segregated into EV, PHEV (including EREV) and FCEV, based on different propulsion systems and technologies, and accounted for 78.9%, 21.1% and less than 0.1% of total China NEV sales volume in 2020 respectively. According to IHS Markit, the number of automotive OEM brands that sold 1,000 or more units of NEVs in China in 2020 amounted to 54, which in aggregate accounted for 99.1% of the market share in the China NEV market in 2020.

We are subject to intense competition from both incumbent OEMs and other emerging pure-play EV companies. We are also subject to competition from other forms of NEVs as well as ICE vehicles to some extent. We have strategically focused on offering Smart EVs for the mid- to high-end segment of China's passenger vehicle market. We directly compete with other pure-play EV companies, especially those targeting the mid- to high-end segment. Our Smart EVs also compete with Smart EV offerings from traditional OEMs in the mid- to high-end segment. To a lesser extent, our Smart EVs could indirectly compete with vehicle offerings with alternative propulsion systems such as PHEVs and ICEs. Furthermore, as a number of incumbent OEMs started to shift their focus towards the EV market, the competition may further intensify given their strong brand recognition, substantial financial resources, sophisticated engineering capabilities and established sales channels.

Different from incumbent OEMs and some other EV start-ups, we have taken an innovative technology approach to designing and developing our own software, data and core hardware technologies in-house rather than relying on third-party suppliers. Such approach enables our speed of innovation, seamless integration of fast software iteration with hardware, as well as unique capability to tailor our vehicle software to the evolving needs of Chinese consumers and China-specific road conditions. With leading software, data and hardware technologies at our core, we continue to bring innovations in autonomous driving, smart connectivity and core vehicle systems, and deliver differentiated products and consumer experience, which position us favorably in the competitive environment.

INSURANCE

We maintain property insurance, fire insurance, public liability insurance, employer's liability insurance and driver's liability insurance. Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees based in China. We also purchase additional commercial health insurance to increase insurance coverage of our employees. We do not maintain business interruption insurance or key-man insurance. We believe that our insurance coverage is in line with the industry and adequate to cover our key assets, facilities and liabilities.

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EMPLOYEES

As of March 31, 2021, we had a total of 6,132 employees. The following table sets forth a breakdown of our employees categorized by function as of March 31, 2021:

Function	Number of Employees	Percentage to Total
Research and development	2,442	39.8%
Sales and marketing	2,518	41.1%
Manufacturing	849	13.8%
General and administration	62	1.0%
Operation	261	4.3%
Total	6,132	100.0%

As of March 31, 2021, 6,019 of our employees were based in mainland China or Hong Kong, and 113 of our employees were based in the United States. Substantially all of the employees based in the United States are research and development staff dedicated to autonomous driving technology.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, referrals, and online channels including our corporate website and social networking platforms. We have adopted a training policy, pursuant to which technology, corporate culture, leadership and other trainings are regularly provided to our employees by internal speakers and third-party consultants.

We believe we offer our employees competitive compensation packages and a dynamic work environment that encourages initiative and is based on merit. As a result, we have been able to attract and retain talented personnel and maintain a stable core management team.

As required by PRC regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. In addition, we purchased employer's liability insurance and additional commercial health insurance to increase insurance coverage of our employees. Historically, we have offered and sold units of the G3 and the P7 to employees at discounts and delivered a small number to employees prior to mass deliveries.

We enter into standard labor, confidentiality and non-compete agreements with our employees. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

ENVIRONMENTAL AND SOCIAL MATTERS**Environmental Protection**

We are subject to various environmental laws and regulations related to the manufacture of our Smart EVs, including the use of hazardous materials in the manufacturing process and the operation of our manufacturing plant. Such laws and regulations govern the use, storage, discharge and disposal of hazardous materials during the manufacturing process. Please refer to the section headed “Regulatory Environment – Regulations Relating to Environmental Protection” for details on PRC environmental laws and regulations we are subject to. Complying with environmental and safety laws and regulations could impose substantial costs upon us and cause delays in building our manufacturing facilities. Please refer to the section headed “Risk Factors—We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and cause delays in building our manufacturing facilities” for more details.

We require our suppliers to obtain certifications from third party institutions for hazardous substances in the raw materials or components supplied by them to ensure the adoption of hazardous substances complies with applicable laws and standards. We also ask the suppliers to take rectification measures if the raw materials or components provided by such suppliers do not satisfy the relevant requirements in the standards. Our safety and environment department is responsible for environmental monitoring. It also formulates detailed environmental control plans. We have adopted and implemented environmental management procedures for potential pollutions. We classify matters that may have an impact on the environment into three categories, namely (i) resource or energy consumption, (ii) pollution and (iii) indirect environmental impacts. We assess impacts of such matters based on costs, utilization efficiency, frequency of occurrence, severity of impacts, recoverability and pollution duration. We also monitor the waste generated during production and daily operation, analyze the monitoring data and report to the competent authorities to the extent needed.

We currently manufacture Smart EVs through our Zhaoqing plant and the collaboration with Haima. For our Zhaoqing plant, we have implemented an environmental protection management policy, which sets out our Company’s responsibility and requires strict compliance with the policy. We have also set up a comprehensive prevention system and early warning system and have been equipped with necessary first aid facilities in case there is any environmental emergencies. In addition, our Zhaoqing plant has specialized environmental protection management personnel and part-time management personnel to develop plans relating to environmental protection and responsible for the implementation of the plans. We engage qualified third parties to dispose waste at our Zhaoqing plant. To the best of our knowledge, Haima plant was in compliance in all material respects with all applicable environmental laws and regulations during the Track Record Period.

Corporate Social Responsibility

We have been committed to sustainable corporate responsibility projects. For instance, we made donations of masks, medical supplies and funds to fight the COVID-19 pandemic in 2020. We also made the charging stations in Wuhan free for electric vehicles serving to combat the COVID-19 pandemic and called on car owners to provide assistance. In November 2020, we received a certificate of honor awarded by Wuhan Charity Federation for our great support in fighting COVID-19 pandemic.

Occupational Health and Safety

We are subject to various PRC laws and regulations in respect of occupational health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. We have adopted and maintained a series of policies and measures to maintain a safe environment for our employees, including, among others, safety incident management policy, occupational hazard monitoring and management policy. In addition, we require each department of our Zhaoqing plant to establish its own safety training policy and keep records of the trainings in accordance with the occupational health and safety training management measures published by our safety production management office.

In addition, we have adopted relevant measures to ensure the health of our employees and hygiene of our work environment. We have endeavored to provide a safe work environment in light of the pandemic of COVID-19, including procurement of epidemic prevention materials, release of work-from-home plan and work resumption plan, food delivery service and regular check of our employees' health condition.

As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operation and we were not aware of any material claims for personal or property damages in connection with health and occupational safety.

Job Opportunities

We have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations. We hire employees based on their merits, following the principles of lawfulness, fairness, equality, voluntariness, consensus, honesty and credibility.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are dedicated to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, internal control, information system, human resources and internal control.

Financial Reporting Risk Management

We are subject to the reporting requirements of the U.S. Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the NYSE. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting.

Prior to our initial public offering and listing on the NYSE in the United States in August 2020, we had been a private company with insufficient accounting personnel and other resources with which to address our internal control and procedures over financial reporting. In connection with the preparation and audits of our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and

2020, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting which was outstanding as of December 31, 2020. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, 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 our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to the lack of sufficient financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP, in particular, to (i) develop comprehensive U.S. GAAP accounting policies and financial reporting procedures to address complex U.S. GAAP technical accounting issues and (ii) prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control under the Sarbanes-Oxley Act for purposes of identifying and reporting any weakness in our internal control over financial reporting as of and for the year ended December 31, 2020. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

Since we first identified this material weakness in the course of preparing our consolidated financial statements for the years ended 2018 and 2019, we have implemented a number of measures to address our identified material weakness during the initial public offering in the U.S., including, among others: (i) we have hired additional competent and qualified accounting and reporting personnel with appropriate knowledge and experience of U.S. GAAP and SEC financial reporting requirements, and will continue to hire additional resources to strengthen the financial reporting function, (ii) we have established a regular program to provide sufficient and additional appropriate training to our accounting staff, especially trainings related to U.S. GAAP and SEC financial reporting requirements, (iii) we have established clear roles and responsibilities for our accounting staff and effective oversight to address complex accounting and financial reporting issues, (iv) we have developed a set of accounting policies and procedures, which document the current U.S. GAAP accounting policies and technical accounting guidance that are applicable to our business, (v) we have formalized our period-end closing process to prepare financial statements and related disclosures in compliance with U.S. GAAP and SEC financial reporting requirements, and (vi) we have established an internal audit team to enhance internal controls and assess the design and effectiveness of our internal controls. The Directors are of the view that the above measures will help the Company to effectively address the identified material weakness.

The aforementioned remediation measures were implemented in the fourth quarter of 2020, and we have continuously implemented and will continue to implement such measures, including in the preparation of our consolidated financial statements in quarterly closing in the subsequent periods. However, these measures require validation and testing of the operating effectiveness of internal controls over a sustained period of financial reporting cycles. We cannot assure you that we or our independent registered public accounting firm will not identify such material weakness in connection with the preparation and audits of our consolidated financial statements for periods of future financial reporting cycles. See “Risk Factors—Risks Relating to Our Business and Industry—If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and

investor confidence in our company and the market price of our Class A ordinary shares and/or ADSs may be adversely affected.”

In preparing for the Listing, the Company has engaged an independent third party consultant (the “Internal Control Consultant”) to perform a review over selected areas of its internal controls over financial reporting (the “Internal Control Review”) and a follow-up review (the “Follow-up Review”) during February to May 2021. The Internal Control Review and the Follow-up Review performed by the Internal Control Consultant constituted a Long Form Report engagement pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certified Public Accountants.

The scope of the Internal Control Review performed by the Internal Control Consultant was agreed in advance between the Company, the Joint Sponsors and the Internal Control Consultant. The selected areas of the internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, covering revenue and receivables, purchases and payables, payroll, fixed assets management, costing and inventories, research and development, treasury, financial reporting, insurance, leasing, taxation, reseller management and general controls of information technology. The Internal Control Consultant performed the Follow-up Review in April 2021 to review the status of the management actions taken by the Company to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review. On this basis, our Directors are of the view that the measures adopted for enhancing our internal control over financial reporting are adequate and effective in this context. Based on the due diligence works performed by the Joint Sponsors, the Joint Sponsors concur with the Directors’ view that the measures adopted for enhancing the Company’s internal control over financial reporting are adequate and effective.

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company’s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

In the meantime, we have in place a set of policies with respect to our financial reporting risk management, such as budget management policies, settlement management policies, fixed assets management policies and reimbursement management policies. We strive to maintain effective control over financial reporting.

Internal Control Risk Management

We have set up an internal control department, which includes the function of internal control and internal audit. The internal audit team formulates audit plans and conduct audit activities according to our

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Company's business development and report to the Board (audit committee). The internal control team provides internal control consulting services for our daily business.

As of March 31, 2021, our internal control department consists of 13 employees, with an average relevant working experience of more than 10 years. All the members of our internal control department have obtained bachelor's degree or above, and 61.5% of them have obtained professional certificates relating to internal control, such as Certified Internal Auditor, Certified Public Accountant and Association of Chartered Certified Accountants. The team members previously worked in various industries, such as high-tech, automobile, new energy and law so that they could better deal with the internal control risks of each business module.

Human Resources Risk Management

We have in place a code of conduct issued by our human resources department and distributed to all our employees, which contains internal rules and guidelines regarding various aspects, such as compliance and integrity, public communication and conflict of interests. We provide employees with training and resources to keep them abreast of the rules and guidelines.

We also have in place an FCPA-related policies to safeguard against corruption within our Group. For instance, we formulate our code of integrity to enhance the professionalism of teams, strengthen the awareness of compliance and integrity, as well as prevent all kinds of violations or improper conducts. We make our internal reporting channel open and available for our staff to file complaints or report violations. Our internal control department will conduct timely investigation and evidence collection after receiving complaints about and reports on violation of the code of integrity.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to oversees our accounting and financial reporting processes and internal control system. The audit committee consists of three members, namely, Mr. Donghao Yang, Mr. Ji-Xun Foo and Mr. HongJiang Zhang. Mr. Donghao Yang is the chairperson of our audit committee. For the professional qualification and experience of the members of our audit committee, see "Directors and Senior Management" in this prospectus.

PROPERTY

Our corporate headquarters is located in Guangzhou, Guangdong Province. As of March 31, 2021, we operated our business through three parcels of land of which we own land use rights in the PRC and a number of leased properties in the PRC and United States.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of March 31, 2021, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Our Properties in the PRC

Owned Properties

As of March 31, 2021, we owned three parcels of land with an aggregate site area of over 799,795 square meters in the PRC. We own land use rights with respect to a parcel of land of over 602,417 square meters with land use rights expire in 2067 and a parcel of land of over 133,525 square meters with land use right expires in 2070, both in Zhaoqing, Guangdong Province. We have constructed our Zhaoqing plant on this parcel of land, and the plant has a construction area of 230,895 square meters. We also own land use rights with respect to a parcel of land of 63,853 square meters in Guangzhou, Guangdong Province, and such land use rights expire in 2070. We plan to construct a trial production facility on this parcel of land.

Leased Properties

As of March 31, 2021, we also maintained a number of leased properties in the PRC, including 75,803 square meters of properties in our headquarter primarily for corporate administration, research and development, trial production and testing and 8,077 square meters of properties in Beijing, Shanghai and Shenzhen primarily for research and development and sales and marketing. In addition, we lease a number of facilities for our direct stores, self-operated charging stations and logistics centers across the PRC.

As of March 31, 2021, there were defects in some of our leased properties, which primarily include: (i) the lessors of certain leased properties have not provided valid title certificates or relevant authorization documents evidencing their right to lease these properties for these properties, (ii) the current usage of certain leased properties is inconsistent with their permitted usage, (iii) certain leased properties are located on the allocated lands (劃撥用地) or on the collective lands (集體用地), and the lessors of such leased properties have not provided necessary approvals or relevant authorizations documents to evidencing their rights to lease these properties, and (iv) certain leased properties are temporary buildings and the occupation permits of the temporary buildings have expired. As a consequence, we may be exposed to a potential relocation risk if our rights to use these properties were to be successfully challenged. In addition, some of our lease agreements have not been registered with the relevant competent authorities in accordance with applicable PRC regulations, which could subject us to administrative penalties. See “Risk Factors – Risks Relating to Our Business and Industry – The use of certain premises may be disrupted if the land-use-purpose statutory provisions are strictly enforced by competent government authorities.”

The above leased properties with defects are primarily for service centers, stores, dormitory for employees and office use. To minimize the potential adverse impact of the above property defects on our operations, we plan to continue to maintain regular communication with the lessors regarding their progress of remedying the defects.

We believe that the defects of the leased properties as set out above would not materially and adversely affect our business operations, considering that (i) no single property leased by us was material to our operations; (ii) we would be able to find comparable properties as alternatives at commercially acceptable terms to us, and such relocation will not have any material adverse effect on our financial condition or our results of operations, (iii) during the Track Record Period and as of the Latest Practicable Date, we have not received any material claim of rights by any third parties or notice from any

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governmental authorities in relation to the defects of such leased properties, and (iv) the failure to register lease agreements would not affect the validity and enforceability of such lease agreements.

Our Properties in Jurisdictions outside the PRC

As of March 31, 2021, we leased properties of 30,088 square feet in Silicon Valley and San Diego in the United States, primarily for research and development and sales and marketing.

We intend to add new facilities or expand our existing facilities as we scale up our business operation. We believe that suitable additional or alternative space will be available in the future on commercially reasonable terms to accommodate our foreseeable future expansion.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors – Risks Relating to Our Business and Industry – We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings."

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

We are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions we operate in, and no material administrative penalties imposed on us had been found that may have a material adverse effect on our Group's business operations.

LICENSES, PERMITS AND APPROVALS

As of the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals that are material to our operations and such licenses, permits and approvals were valid and remain in effect as of the Latest Practicable Date.

Xiaopeng New Energy obtained an Enterprise Investment Project Filing Certificate of Guangdong Province (《廣東省企業投資項目備案證》) for the Zhaoqing plant with an annual production capacities of up to 100,000 units of electric passenger vehicles granted by Guangdong Provincial Development and Reform Commission on March 25, 2020, and there would be no specific expiry date for such certificate considering Xiaopeng New Energy has commenced the related construction within the required period. Xiaopeng New Energy has been listed in Announcement of the Vehicle Manufacturers and Products issued

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by the MIIT, which enables it to become a qualified manufacturer of EVs and our Smart EVs, namely the G3, the P7 and the P7 Wing have been listed in the Announcement of the Vehicle Manufacturers and Products issued by the MIIT, which are the entry approvals for the manufacturing and sales of our Smart EVs (the G3, the P7 and the P7 Wing). These entry approvals for Xiaopeng New Energy and our Smart EVs (the G3, the P7 and the P7 Wing) as listed in the announcements abovementioned will be continuously valid unless such announcements have been otherwise revoked by the MIIT in the future. As of the date of this prospectus, there is no material legal impediment in maintaining such licenses, permits and approvals that are material to our operations.

AWARDS AND RECOGNITIONS

We have received various awards and recognitions for our products. The following table sets forth certain of such awards and recognition obtained by the Group during the Track Record Period:

<u>Year of Grant</u>	<u>Award/Recognition</u>	<u>Issuing Authority</u>
2020	The 8th Xuanyuan Award (第八屆軒轅獎) – Car of the Year (P7)	Auto Business Review and EFS Consulting China
2020	Auto Parking Award in the 2020 i-VISTA China Intelligent Vehicle Indexes (G3)	China Automotive Engineering Research Institute and i-VISTA
2020	Dingge Award (鼎革獎) – China Digital Transformation Pioneer Enterprises	Harvard Business Review, Institute for Global Industry, Tsinghua University and SAP
2020	The 10th Guangdong Governor Cup Industrial Design Competition (第十屆廣東省“省長杯”工業設計大賽), Gold Award (Xmart OS2.0 intelligent operating system)	The Organizing Committee of the 10th Guangdong Governor Cup Industrial Design Competition
2019	iF design Award 2019	iF International Forum Design GmbH
2018	The 9th Guangdong Governor Cup Industrial Design Competition (第九屆廣東省“省長杯”工業設計大賽), Gold Award (G3)	The Organizing Committee of the 9th Guangdong Governor Cup Industrial Design Competition

CONNECTED TRANSACTIONS

Following the Global Offering, the transactions between members of our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

As our ADSs are listed on the NYSE, we will continue to be subject to and regulated by the listing rules of the NYSE and other applicable laws and regulations in the U.S. so far as our ADSs remain listed on the NYSE. The requirements of the Listing Rules in relation to connected transactions are different from those of the NYSE. In particular, the definition of connected persons under the Listing Rules is different from the definition of related party under the listing rules of the NYSE. Therefore, a connected transaction under the Listing Rules may or may not constitute a related party transaction under the listing rules of the NYSE, and vice versa.

CONNECTED PERSONS

The table below sets forth the connected persons of our Company involved in the continuing connected transactions upon the Listing and the nature of their connection with our Company:

<u>Name</u>	<u>Connected relationship</u>
Mr. Xiaopeng He	Mr. He is our co-founder, executive Director, chairman of the Board, chief executive officer and Controlling Shareholder of our Company.
Mr. Heng Xia	Mr. Xia is our co-founder, executive Director and President of our Company.
Mr. Tao He	Mr. He is our co-founder and senior vice president of our Company. As of the Latest Practicable Date, Mr. Tao He is an executive Director of the Company. He will resign from directorship with effect from Listing.
Shenzhen Pengxing Smart Co., Ltd. (深圳鹏行智能有限公司) and Shenzhen Pengxing Smart Research Co., Ltd. (深圳鹏行智能研究有限公司) (collectively, “ Shenzhen Pengxing ”)	Mr. Xiaopeng He owns the majority of the outstanding and issued shares of Shenzhen Pengxing. Therefore, Shenzhen Pengxing is an associate of Mr. He and a connected person of our Company according to Rule 14A.12(1)(c) of the Listing Rules. Shenzhen Pengxing is primarily engaged in the research and development of intelligent robots for transportation.
Guangzhou Huitian Aerospace Technology Co., Ltd. (廣州匯天航空航天科技有限公司) (“ Guangzhou Huitian ”)	Mr. Xiaopeng He owns the majority of the outstanding and issued shares of Guangzhou Huitian. Therefore, Guangzhou Huitian is an associate of Mr. He and a connected person of our Company according to Rule 14A.12(1)(c) of the Listing Rules. Guangzhou Huitian is primarily engaged in the research and development of flying cars.

CONNECTED TRANSACTIONS

Name	Connected relationship
Guangzhou Zhongpeng Investment and Development Co., Ltd. (廣州中鵬投資開發有限公司) (“ Guangzhou Zhongpeng ”)	Mr. Xiaopeng He owns the majority of the outstanding and issued shares of Guangzhou Zhongpeng. Therefore, Guangzhou Zhongpeng is an associate of Mr. He and a connected person of our Company according to Rule 14A.12(1)(c) of the Listing Rules. Guangzhou Zhongpeng is primarily engaged in the business of investment advisory.
Certain associates of Alibaba Group Holding Limited (“ Alibaba Group ”)	Assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) all Class C ordinary Shares held by Taobao China have been converted to Class A ordinary Shares, upon the completion of the Global Offering, Alibaba Group would hold 11.3% of the outstanding and issued shares of our Company through its wholly owned subsidiaries upon the Listing and is our substantial shareholder and connected person. Therefore, its associates are also our connected persons under Rule 14A.07(4) of the Listing Rules.

We have entered into certain transactions that will constitute our continuing connected transactions after the Listing with the connected persons above.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

				Proposed Annual Cap for the Year ending December 31,		
No.	Transactions	Applicable Listing Rule	Waiver Sought	2021	2022	2023
(RMB in thousand)						

Partially-exempt continuing connected transactions

1.	Lease Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.68, 14A.71, 14A.76 (2)(a)	Requirement as to announcement	11,620.0	/	/
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CONNECTED TRANSACTIONS

No.	Transactions	Applicable Listing Rule	Waiver Sought	Proposed Annual Cap for the Year ending December 31,		
				2021	2022	2023
				(RMB in thousand)		
2.	Administrative Management Services Framework Agreements	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.68, 14A.71, 14A.76 (2)(a)	Requirement as to announcement	11,000.0	13,200.0	15,840.0
3.	Technical Consulting Services Framework Agreements	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.68, 14A.71, 14A.76 (2)(a)	Requirement as to announcement	80,000.0	120,000.0	144,000.0
4.	Marketing Services	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.68, 14A.71, 14A.76 (2)(a)	Requirement as to announcement	45,584.0	90,669.0	155,821.0
5.	Research and Development Collaboration	14A.34, 14A.35, 14A.49, 14A.51 to 59, 14A.68, 14A.71, 14A.76 (2)(a)	Requirement as to announcement	60,598.0	114,010.0	193,695.0

CONNECTED TRANSACTIONS

				Proposed Annual Cap for the Year ending December 31,		
No.	Transactions	Applicable Listing Rule	Waiver Sought	2021	2022	2023
				(RMB in thousand)		

Non-exempt continuing connected transaction

6.	Contractual Arrangements	14A.34 14A.35 14A.36 14A.49 14A.52 14A.53 to 59, 14A.71	Requirements as to announcement, circular, shareholders' approval, annual cap, and terms of not more than three years	N/A	N/A	N/A
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PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where the highest of the relevant percentage ratios (except for the profits ratio) for the three years ending December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis. By virtue of Rules 14A.35, 14A.49, 14A.71 and 14A.76(2)(a) of the Listing Rules, the transactions will be subject to the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirement.

Lease Agreement

	Historical amounts				Proposed annual caps		
	For the year ended December 31,			For the three months ended March 31,	For the year ending December 31,		
	2018	2019	2020	2021	2021	2022	2023
	(RMB in thousand)				(RMB in thousand)		
Rental expenses under the Lease Agreement .	nil	nil	10,150.0	2,537.0	11,620.0	/	/

Reasons for the transaction

As of June 18, 2021, we have entered into the Lease Agreement with Guangzhou Zhongpeng, pursuant to which, Guangzhou Zhongpeng has agreed to lease a piece of land to us for use as parking spaces for a term ending on December 31, 2021. The aforesaid piece of land is adjacent to our headquarters and relocation would cause unnecessary expenses.

CONNECTED TRANSACTIONS

Pricing policy

The rental rates under the Lease Agreement was determined with reference to the prevailing market rates, which is the rates for the leasing of similar land by independent third parties in the same or adjacent area on normal commercial terms.

Historical amount and basis of caps

For the year ended December 31, 2020, the aggregate amount of rental expenses incurred was RMB10,150 thousand. For the three months ended March 31, 2021, the aggregate amount of rental expenses incurred was RMB2,537 thousand.

When determining the proposed annual cap, we have taken into consideration not only the fixed monthly rent payable under the Lease Agreement, but also the floating disbursements payable under the Lease Agreement (such as utility consumed) which may vary from month to month.

Administrative Management Services Framework Agreements

	Historical amounts				Proposed annual caps		
	For the year ended December 31,			For the three months ended	For the year ending December 31,		
	2018	2019	2020	March 31, 2021	2021	2022	2023
	(RMB in thousand)				(RMB in thousand)		
Service							
Income							
under the							
Administrative							
Management							
Services							
Framework							
Agreement .	nil	nil	166.0	1,300.0	11,000.0	13,200.0	15,840.0

Reasons for the transaction

As of June 18, 2021, we have respectively entered into the administrative management services framework agreements (the “**Administrative Management Services Framework Agreements**”) with Shenzhen Pengxing and Guangzhou Huitian, pursuant to which we provide administrative management services to Shenzhen Pengxing and Guangzhou Huitian to utilize our spare administrative service capacity and generate revenue. The services we provide include property and working space leasing, sharing of utilities, vehicle rental, catering and property management. The Administrative Services Framework Agreements shall take effect on the Listing Date and the term shall expire on December 31, 2023.

Pricing policy

In accordance with the Administrative Management Services Framework Agreements, we charge Shenzhen Pengxing and Guangzhou Huitian based on the actual expenses of the services we incurred and a

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markup rate of five percent. The expenses incurred are determined based on the record of our financial reporting system, such that the expenses would be identifiable and allocated with the markup rate to Shenzhen Pengxing and Guangzhou Huitian on an equitable basis.

Historical amount and basis of caps

For the years ended December 31, 2018, 2019 and 2020, the aggregate amount of service income we received under the administrative management services was nil, nil and RMB166.0 thousand, respectively. The amount in 2020 comprised of (i) the fees for vehicle rental of RMB9.7 thousand; (ii) the fees for office space leasing and sharing of utilities of RMB50.8 thousand; and (iii) the service fees for other services. For the three months ended March 31, 2021, the aggregate amount of service income incurred was RMB1,300 thousand. Shenzhen Pengxing was incorporated on December 22, 2020 and Guangzhou Huitian was incorporated on September 23, 2020. We started to provide such services to Guangzhou Huitian in December 2020 and to Shenzhen Pengxing in 2021 and expect the amount of services continues to increase as the business and scale of Shenzhen Pengxing and Guangzhou Huitian grow and their demand for such administrative management services increases.

The table below sets forth breakdown of our budgeting for determination of the proposed caps.

	Expected Budget		
	For the year ending December 31,		
	2021	2022	2023
	(RMB in thousand)		
Vehicle rental	431.0	517.2	620.6
Office space leasing and utilities	8,520.0	10,224.0	12,268.8
Property management and administrative support services	2,049.0	2,458.8	2,950.6

Given that: (i) the budget for vehicle rental has taken into account the expected number of senior level personnel of Shenzhen Pengxing and Guangzhou Huitian who are entitled to the benefit of company-provided vehicle; (ii) the budget for property leasing and utility sharing has been determined considering the increasing number of personnel of Shenzhen Pengxing and Guangzhou Huitian would require additional office space and increasing consumption of utility; and (iii) the budget for property management and administrative support services represents the aggregate amount of administration support, equipment maintenance, construction and decoration, and cleaning fees, each of which is expected to increase as additional personnel of Shenzhen Pengxing and Guangzhou Huitian request such services, the annual caps for the Administrative Management Services Framework Agreement have been determined mainly based on the number of personnel of Shenzhen Pengxing and Guangzhou Huitian that would request our administrative management services. We have also taken into consideration the expected broader range of services that we would provide respectively with Shenzhen Pengxing and Guangzhou Huitian and fixed monthly payment for services that are not related to the number of employees of Shenzhen Pengxing and Guangzhou Huitian with whom we provide our administrative management services.

The annual cap for 2021 has been determined after taking into account: (i) the number of employees of Shenzheng Pengxing and Guangzhou Huitian with whom we provided our administrative management services increased from 74 in January 2021 to 229 in May 2021; (ii) the aggregate number of employees of

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Shenzhen Pengxing and Guangzhou Huitian in demand of our services will continue to increase in 2021, which is the first year of their operation and in which they are expected to grow fast; and (iii) the monthly fixed payment for renting certain infrastructures like vehicle garage. The annual caps for 2022 and 2023 represent the anticipated increase of 20% when compared to the preceding year and reflect the amount of resources that we would like to contribute in the subsequent years. The historical amount we received in 2020 represented the amount paid by Guangzhou Huitian only in December 2020, when we started to provide such services, and we did not provide any services to Shenzhen Pengxing until 2021. As such, the historical amount in 2020 may not be indicative of the amount of transactions in subsequent years.

Technical Consulting Services Framework Agreements

	Historical amounts				Proposed annual caps		
	For the year ended December 31,			For the three months ended	For the year ending December 31,		
	2018	2019	2020	March 31, 2021	2021	2022	2023
	(RMB in thousand)				(RMB in thousand)		
Service income under the Technical Consulting Services Framework Agreements	nil	nil	nil	nil	80,000.0	120,000.0	144,000.0

Reasons for the transaction

As of June 18, 2021, we have respectively entered into the technical consulting services framework agreements (the “**Technical Consulting Services Framework Agreements**”) with Shenzhen Pengxing and Guangzhou Huitian, pursuant to which we provide technical consulting, technical training and technical services, as well as certain operational support services, including human resources management and services, to Shenzhen Pengxing and Guangzhou Huitian. Shenzhen Pengxing is primarily engaged in the research and development of robots with human-robot interaction function and Guangzhou Huitian is primarily engaged in the research and development of flying cars. The Directors consider the Technical Consulting Services Framework Agreement to be consistent with our mission of shaping the mobility experience of the future, as the collaboration with Shenzhen Pengxing and Guangzhou Huitian enables us to further explore different aspects of smart traveling and broaden our vision as we continue to develop in the Smart EV industry. The Technical Consulting Services Framework Agreements shall take effect on the Listing Date and the term shall expire on December 31, 2023. The provision of technical consulting services to Shenzhen Pengxing and Guangzhou Huitian does not involve the usage of our data (including but not limited to the customers’ data). We have been in compliance with all the relevant laws and regulations relating to data privacy in all material aspects during the Track Record Period and up to the Latest Practicable Date.

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Pricing policy

In accordance with the Technical Consulting Services Framework Agreements, we charge Shenzhen Pengxing and Guangzhou Huitian based on the actual expenses of the services we incurred and a markup rate of 15%. The actual expenses will be determined based on the salaries and human resource costs of our personnel providing the services to Shenzhen Pengxing and Guangzhou Huitian and the actual amount of time they spend in the relevant projects.

Historical amount and basis of caps

For the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, we have not provided any Shenzhen Pengxing and Guangzhou Huitian with such operational support services. Shenzhen Pengxing was incorporated on December 22, 2020 and Guangzhou Huitian was incorporated on September 23, 2020. We expect to provide such services to Shenzhen Pengxing and Guangzhou Huitian in May 2021 and the current progress is consistent with our plan for providing the services.

When determining the proposed annual caps, we have taken into consideration the headcounts and salaries of our employees providing such services, which represent our projected resources to be invested in the collaboration, expected types and amount of services respectively demanded by Shenzhen Pengxing and Guangzhou Huitian as they make progress in the course of development of the research projects, and the expected increase in the headcounts and salaries of the employees participating the projects, which represent our cost for rendering such services. Our employees are expected to provide technical support and consultation with respect to the research and development of the natural language interaction program of Shenzhen Pengxing and the car component of the flying vehicle of Guangzhou Huitian. As of May 31, 2021, a total of 50 of our employees of different levels have been selected to provide Shenzhen Pengxing and Guangzhou Huitian with such services, which represented approximately 2.0% of our employees categorized as research and development personnel as of March 31, 2021, and the number of employees providing Shenzhen Pengxing and Guangzhou Huitian with such services is expected to increase to 160 in December 2021. As such, an average of 128 employees of different levels is expected to participate in the provision of such services every month during May through December 2021. We believe our provision of the services under the Technical Consulting Services Framework Agreements will not have any significant impact on our own usual course of research and development, and having our employees exposed to the research and development of new technical aspect may inspire our own research and development. We expect the number of employees providing the service to continue to increase every months, and the monthly average number of employees will increase by approximately 40% and 15% in 2022 and 2023 respectively when compared to the preceding year. As such annual cap for 2022 represents an anticipated increase of 50% when compared to the preceding year and the annual cap for 2023 represents an anticipated increase of 20% when compared to the preceding year after taking into account of the raise of compensation of such employees. We currently expect to allocate equal amount of resources to the collaboration respectively with Shenzhen Pengxing and Guangzhou Huitian.

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Marketing Services

	Historical amounts				Proposed annual caps		
	For the year ended December 31,			For the three months ended	For the year ending December 31,		
	2018	2019	2020	March 31, 2021	2021	2022	2023
	(RMB in thousand)				(RMB in thousand)		
Marketing Expenses related to the marketing services provided by associates of Alibaba Group	885.5	863.2	6,072.1	1,886.8	45,584.0	90,669.0	155,821.0

Background and reasons for the transaction

Alibaba Group is a leading market player in terms of digital media and entertainment industry in China and also operates the largest e-commerce platform in China. We from time to time cooperate with the associates of Alibaba Group to utilize their marketing services to promote our products during the Track Record Period. Since each of the providers of such marketing service is an associate of Alibaba Group, the continuing connected transactions are aggregated in accordance with Chapter 14A of the Listing Rules. The agreements provide different marketing arrangements and prescribed respective amount and payment terms based on the specific type of service rendered. The term of the agreements which we entered into during the Track Record Period generally terminates upon the expiry of the period during which the suppliers provide marketing services. We believe the cooperation would contribute to the development of our business by enabling us to expand our customer base and enhancing our brand recognition and expect to continue to engage such services after the Listing.

Pricing policy

We separately negotiate with the associates of Alibaba Group for the terms and rates of the marketing services with reference to the prevailing market price of the type of marketing services based on arm's length negotiation. In addition to Alibaba, we also cooperate with other marketing services suppliers for such services. We will evaluate the expected marketing outcome of the services and the price of such services when ascertaining its fairness and reasonableness. In such process, the services provided by Alibaba were subject to the same approval procedures as the services provided by independent third parties. The marketing services primarily included online advertisement, the pricing of which is generally based on published price or unit price and respective discounts for different types of services.

Historical amount and basis of caps

For the years ended December 31, 2018, 2019 and 2020, the aggregate amount of marketing expenses incurred related to Alibaba Group's associates providing marketing services was RMB885.5 thousand,

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RMB863.2 thousand and RMB6,072.1 thousand, respectively. For the three months ended March 31, 2021, the aggregate amount of marketing expenses incurred related to Alibaba Group's associates providing marketing services was RMB1,886.8 thousand. The significant increase in the aggregate amount paid in 2020 is in line with our increased marketing, promotional and advertising expenses in that year. The table below sets forth further breakdown of the historical amounts. In addition, our marketing activities are tied to our periodical sales targets and schedule of marketing events which are generally lower or less active in the first quarter of the year.

Marketing expenses incurred related to Alibaba Group's associates providing marketing services	Historical Amount			
	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
	(RMB in thousand)			
Online advertisement	885.5	721.7	6,072.1	1,886.8
Sponsorship in entertainment shows	nil	141.5	nil	nil

We expect to purchase various online marketing services in 2021 and the subsequent two years from Alibaba Group and/or its associates, including brand display on the user interface of mobile Apps, participation in online promotion events during festivals and marketing campaigns like the 11.11 Global Shopping Festival, live commerce, mobile App notification promotion and bidding ranking in their search engines. When determining the proposed annual caps, our Directors have taken into consideration the following factors:

- our increasing annual sales and delivery volume targets and forecasts in the relevant years based on (a) continued EV market growth in China, with total delivery volume increasing from 1.0 million units in 2020 to 1.7 million units in 2021 and further to 2.3 million and 2.9 million units in 2022 and 2023 respectively according to IHS Markit. As one of the leading EV companies, the increase in our annual sales and delivery volume is expected to outpace the market; and (b) the delivery of various new models, including the LFP battery version of the P7 in May 2021, the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021 and the P5 in the fourth quarter of 2021;
- our continuous investment in marketing and promotion activities and sales network expansion to expand our customer base;
- online marketing became increasingly important and the amount for online marketing activities would take a higher percentage in our overall marketing expenses; and
- anticipated increase in the price of the marketing services rendered.

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Research and Development Collaboration

	Historical amounts				Proposed annual caps		
	For the year ended December 31,			For the three months ended	For the year ending December 31,		
	2018	2019	2020	March 31, 2021	2021	2022	2023
	(RMB in thousand)				(RMB in thousand)		
Costs and expenses related to research and development collaboration with associates of Alibaba Group . . .	5,620.1	12,466.7	15,858.9	5,987.6	60,598.0	114,010.0	193,695.0

Background and reasons for the transaction

We collaborate with the associates of Alibaba Group in our research and development by licensing and purchasing their software and information technique services, which primarily include cloud computing services and licensing of software, electronic navigation system and map data. Since each of the providers of such technique service is an associate of Alibaba Group, the continuing connected transactions are aggregated in accordance with Chapter 14A of the Listing Rules. We have entered into a strategic cooperation agreement (the “**AutoNavi Strategic Cooperation Agreement**”) with AutoNavi Software Co., Ltd. (高德軟件有限公司), under which we enter into specific transactions with respect to areas including electronic navigation system and map data. The term of the AutoNavi Strategic Cooperation Agreement will end on December 11, 2022. In addition, we entered into a framework service agreement (the “**Alibaba Cloud Framework Service Agreement**”) with Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) under which we purchase various cloud computing services (other than domain name and products on cloud market). The term of the Alibaba Cloud Framework Services Agreement will expire on June 15, 2022. As the collaboration commenced back in 2017, we believe the continuous collaboration will be beneficial to us in light of the quality, cost, efficiency and convenience provided by the collaboration and expect to continue to purchase such services after the Listing.

Pricing policy

We separately negotiate with the associates of Alibaba Group for the terms and rates of the research and development collaboration with reference to the prevailing market price of the type of technical service and licensing based on arm’s length negotiation, and we would solicit quotations from independent third parties for similar technical service and licensing to assess the fairness of the price. With respect to cloud computing services, the price and amount are determined based on the actual usage of the services, the relevant unit service rate published by Alibaba Cloud on its official website from time to time with respect to different types of cloud computing services and respective discounts of over 25% over such unit service rate. With respect to licensing of electronic navigation system and map data (the “AutoNavi Services”), we are charged with scaled price based on our Smart EV production volume with respect to the map data and its updates and fixed price with respect to the technical support services. With respect to licensing of software, we are charged with fixed price, which is determined with reference to the price paid by independent third parties and the price of equivalent software possessed by independent third parties. The AutoNavi Services do not involve the usage of our data (including but not limited to the customers’ data),

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while the cloud computing services involves the processing and storage of our data, which is the normal norm of the cloud computing services. We have been in compliance with all the relevant laws and regulations relating to data privacy in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Historical amount and basis of caps

For the years ended December 31, 2018, 2019 and 2020, the aggregate amount of costs and expenses incurred related to Alibaba Group's associates providing research and development collaboration was RMB5,620.1 thousand, RMB12,466.7 thousand and RMB15,858.9 thousand, respectively. For the three months ended March 31, 2021, the aggregate amount of costs and expenses incurred was RMB5,987.6 thousand. The significant increases of the aggregate amounts paid in 2019 and 2020 are in line with the increase of our research and development expenses. Our research and development expenses are generally lower in the first quarter of the year, and the amount for our usage of the map data under the AutoNavi Services has not been billed in the first quarter. The table below sets forth further breakdown of the historical amounts.

Costs and expenses related to research and development collaboration with associates of Alibaba Group	Historical Amount			
	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
	(RMB in thousand)			
Cloud computing services	5,620.1	10,334.6	11,283.9	4,355.6
AutoNavi Services	nil	1,000.0	4,575.0	1,632.0
Other research and development expenses	nil	1,132.1	nil	nil

We purchase the cloud computing services mainly to support (i) the operation of our mobile App, Xiaopeng Vehicle and the connection between the vehicles and the mobile App. Xiaopeng Vehicle serves as our vehicle owner service platform, and the number of users of Xiaopeng Vehicle is related to the population of our vehicles. Increasing vehicle population will lead to increase in the number of our vehicle owners, which would further lead to demand of additional server capacity to support the connection and operation of our mobile App; and (ii) the research and development and operation of our autonomous driving techniques, which would need additional cloud computing capacity every year. On the other hand, we would continue to purchase the AutoNavi Services as a key component for our XPilot system, which are installed on our higher-end vehicles. When determining the proposed annual caps, our Directors have taken into consideration the following factors:

- the historical amounts and expected increase in our overall research and development expenses, reflecting increase in our spending on the development of new EV models, Smart EV platform, our autonomous driving system and other vehicle-related software;
- the increase in sales volume of our higher-end Smart EVs, which will be equipped with the specific software licensed, based on the continued EV market growth in China, with total delivery volume increasing from 1.0 million units in 2020 to 1.7 million units in 2021 and further to 2.3 million and 2.9 million units in 2022 and 2023 respectively according to IHS Markit. As one of the leading EV companies, the increase in our annual sales and delivery volume is expected to outpace the market; and

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- the increasing in demand for cloud services as our automatic pilot services and total number of Smart EVs sold continue to increase.

The table below sets forth further breakdown of our budgeting for determination of the proposed annual caps.

	Expected Budget		
	For the year ending December 31,		
	2021	2022	2023
	(RMB in thousand)		
Cloud computing services	31,678.5	42,637.2	58,852.0
AutoNavi Services	28,919.3	71,373.2	134,843.2

As both our service network and autonomous driving program utilize the cloud computing services, the increase in the budget of cloud computing services mainly reflect (i) the expected total population of our vehicles in the relevant years; (ii) development of our autonomous driving program, and the demand for cloud computing services by such program is expected to increase by 30% every year.

The increase in the budget of AutoNavi Services mainly reflect (i) the expected increase in the sales volume of our higher-end vehicles, which carries the XPilot system; (ii) a 10% increase in the demand of other AutoNavi Services as our business continues to grow.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangement

Background

As disclosed in the section headed “History and Corporate Structure – Our Contractual Arrangements,” due to regulatory restrictions on foreign ownership in the PRC, we conducted a portion of our business through our variable interest entities in the PRC.

We do not hold any equity interests in our variable interest entities. Rather, through the Contractual Arrangements, we effectively control these variable interest entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among relevant members of our Group, our variable interest entities and shareholders of our variable interest entities enable us to (i) receive substantially all of the economic benefits from our variable interest entities in consideration for the services provided by the relevant members of our Group; (ii) exercise effective control over our variable interest entities and their subsidiaries; and (iii) hold an exclusive option to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into our variable interest entities when and to the extent permitted by the PRC laws.

See the section headed “History and Corporate Structure – Our Contractual Arrangements” for details of the agreements comprising the Contractual Arrangements.

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Listing Rules implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected persons,” the variable interest entities will be treated as our Company’s subsidiary, and its directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s “connected persons.”

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements is expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver application

Reasons for the waiver application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations, that such transactions have been and will be entered into in our ordinary and usual course of business, are normal commercial terms or better and the terms are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of the variable interest entities are consolidated into our financial statements as if they were our Company’s subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transaction rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

Conditions of the waiver application

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the

CONNECTED TRANSACTIONS

transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class A ordinary shares are listed on the Stock Exchange subject however to the following conditions:

No change without independent non-executive Directors' approval

Save as described below, no change to the Contractual Arrangements (including with respect to any fees payable to relevant members of our Group thereunder) will be made without the approval of our independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic Benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the variable interest entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests in the variable interest entities for consideration stated in the exclusive option agreements, (ii) the business structure under which the profit generated by the variable interest entities is substantially retained by our Group, such that no annual cap shall be set out for the amount of service fees payable to the relevant member of our Group by the variable interest entities under the Contractual Arrangements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the variable interest entities.

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the variable interest entities, on the other hand, that framework may be renewed and/ or reproduced without obtaining the approval of our Shareholders: (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the registered shareholders or directors of the variable interest entities, or (iii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in a business similar or relating to those of our Group. Such renewal and/ or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/ or reproduction of the Contractual Arrangements, however be treated as connected

CONNECTED TRANSACTIONS

persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by variable interest entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the variable interest entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company's auditors will carry out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our variable interest entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our variable interest entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the variable interest entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the variable interest entities), and transactions between these connected persons and our Group (including for this purpose, the variable interest entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our variable interest entities will undertake that, for so long as the Class A ordinary shares are listed on the Stock Exchange, the variable interest entities will provide our Group's management

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and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

WAIVERS

In respect of the partially-exempt continuing connected transactions above, we have applied for, and the Stock Exchange has granted, waivers from strict compliance with the announcement requirement under the Chapter 14A of the Listing Rules.

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, (i) a waiver from strict compliance with announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; (ii) a waiver from strict compliance with the requirements to set a term not exceeding three years under Rule 14A.52 of the Listing Rules; and (iii) waiver from strict compliance with the requirements to set monetary annual caps under Rule 14A.53 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) each of the partially-exempt continuing connected transactions above has been and will be entered into during our ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed caps under each of the partially-exempt continuing connected transactions above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein are important to our legal structure and business operations, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and the terms are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and/or historical figures prepared and provided by the Company relating to the partially-exempt and non-exempt continuing connected transactions and have obtained confirmation from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that (i) the partially-exempt and non-exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole and (ii) the proposed caps under the partially-exempt continuing connected transactions set out above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS⁽¹⁾

Upon Listing, our Board will consist of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Role and responsibility
Xiaopeng He (何小鹏)	Co-founder, Chairman of the Board, Executive, Director and Chief Executive Officer	43	December 27, 2018	January 2015	Overall strategic planning and business decision making; member of the compensation committee; member of the nomination committee
Heng Xia (夏珩)	Co-founder, Executive Director and President	37	December 27, 2018	January 2015	Core strategic planning and overall management of automotive-related areas of the Group
Jun Chen (陳俊)	Non-executive Director	47	November 17, 2020	November 2020	Providing professional opinion and judgment to the Board
Qin Liu ⁽²⁾ (劉芹)	Non-executive Director	48	September 12, 2019	February 2018	Providing professional opinion and judgment to the Board
Ji-Xun Foo (符績勳)	Non-executive Director	53	September 12, 2019	January 2018	Providing professional opinion and judgment to the Board; member of the audit committee
Fei Yang (楊飛)	Non-executive Director	63	September 12, 2019	April 2018	Providing professional opinion and judgment to the Board
Donghao Yang (楊東皓)	Independent Non-executive Director	49	August 26, 2020	August 2020	Providing independent opinion and judgment to the Board; chairperson of the audit committee; chairperson of the corporate governance committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Role and responsibility
Fang Qu (瞿芳)	Independent Non-executive Director	37	Listing Date	Listing Date	Providing independent opinion and judgment to the Board; chairperson of the compensation committee; member of the nomination committee; member of the corporate governance committee
HongJiang Zhang (張宏江)	Independent Non-executive Director	60	Listing Date	Listing Date	Providing independent opinion and judgment to the Board; chairperson of the nomination committee; member of the audit committee; member of the compensation committee; member of the corporate governance committee

Notes:

- (1) As of the Latest Practicable Date, Hongdi Brian Gu (顧宏地) and Tao He (何濤) are Directors of the Company. Each of them will resign from directorship with effect from Listing and the appointment of Fang Qu (瞿芳) and HongJiang Zhang (張宏江) as independent non-executive Directors will become effective at the same time. The replacement of two executive directors with two independent non-executive directors would allow us to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules that our Board shall include at least three independent non-executive directors, who shall represent at least one-third of our Board.

Notwithstanding their resignations from our Board, Hongdi Brian Gu will continue to serve as our honorary vice chairman of the Board and president, and Tao He will continue to serve as our senior vice president. Subject to our Memorandum and Articles and the applicable laws and regulations, if any casual vacancy arises on the Board after the Listing due to the departure of a non-executive Director or executive Director, the Board may appoint Hongdi Brian Gu or Tao He to fill such vacancy.

- (2) Qin Liu was formerly known as Ya Liu (劉雅).

Executive Directors

Xiaopeng He (何小鵬), aged 43, is our co-founder, executive Director, chairman of the Board and chief executive officer. Mr. He currently holds directorships in other members of the Group.

Prior to serving as chairman and chief executive officer of our Group, Mr. He served at Alibaba Group, a public company listed on the NYSE (symbol: BABA) and the Hong Kong Stock Exchange (stock code: 9988), from June 2014 to August 2017, including serving as the president of Alibaba mobile business group, chairman of Alibaba Games and president of Tudou.com. In 2004, Mr. He co-founded UCWeb Inc., a Chinese mobile internet company that provides mobile internet software technology and services, and served as the president of product from January 2005 to June 2014. In June 2014, UCWeb Inc. was acquired by Alibaba Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. He previously served as an independent director and a member of the audit committee of HUYA Inc., a game live streaming platform company in China listed on the NYSE (symbol: HUYA) from May 2018 to May 2020.

Mr. He received his bachelor's degree in computer science from South China University of Technology in July 1999. Mr. He obtained the qualification certificate of senior economist (technology entrepreneur) in business administration issued by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in January 2020.

Heng Xia (夏珩), aged 37, is our co-founder, executive Director and president. Mr. Xia currently holds various positions in other members of the Group, including director, legal representative and senior manager.

Prior to founding our Company, Mr. Xia worked at the research and development center of Guangzhou Automobile Group Co., Ltd. ("GAC"), a China-based automotive manufacturing company listed on the Hong Kong Stock Exchange (stock code: 2238) and the Shanghai Stock Exchange (stock code: 601238) from 2008 to 2014, where he was responsible for the development of control systems for NEVs and smart vehicles.

Mr. Xia received his master's degree in mechanical engineering and bachelor's degree in automotive engineering from Tsinghua University in June 2008 and July 2006 respectively. Mr. Xia obtained the qualification certificate of senior engineer (technology entrepreneur) in mechanical engineering issued by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in January 2020.

Non-executive Directors

Jun Chen (陳俊), aged 47, is a non-executive Director.

Mr. Chen has worked at Alibaba Group since 2011, and currently serves as a senior vice president of Alibaba Group's Strategic Advisory Department. Previously, he was in charge of strategic investments by Alibaba Group in various types of companies, including high-growth private companies and public companies listed in the PRC and overseas. The portfolio companies he manages cover a wide spectrum of industries in the Alibaba ecosystem including ecommerce, new retail, cloud/hitech, logistics, local life, healthcare, entertainment, innovation and funds. He has more than 20 years of experience in investment, strategy management, strategic market development, and business and financial advisory services. Prior to joining Alibaba Group in 2011, Mr. Chen worked for SAP SE, a Fortune 500 high-tech software company, from 1999 to 2011, taking roles including strategic adviser in the office of chief executive officer and industry director. From 1995 to 1998, he worked as an auditor for Arthur Andersen Consulting Co. Ltd.

Mr. Chen has served as a director of Best Inc., a company listed on the NYSE (symbol: BEST), since January 2015, and a director of Singapore Post Limited, a company listed on the Singapore Stock Exchange (stock code: S08), since July 2014. He also previously served as a director of Sun Art Retail Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6808) from January 2018 to December 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen received his executive master of business administration (EMBA) degree from INSEAD in December 2005.

Qin Liu (劉芹), aged 48, is a non-executive Director.

Mr. Liu co-founded and has served as managing director of 5Y Capital (formerly known as Morningside Venture Capital) since June 2007. 5Y Capital provides advisory service to various funds and Mr. Liu has served as a director in both public and non-public portfolio companies of such funds. Prior to that, he served in various roles, including as a business development director for investment at Morningside IT Management Services (Shanghai) Co., Ltd.

Mr. Liu has served as a director of JOYY Inc., a China-based technology company listed on the NASDAQ (symbol: YY), since June 2008. He has also served as a director of Xiaomi Corporation, a technology company listed on the Hong Kong Stock Exchange (stock code: 1810.HK), since May 2010, and a director of Agora, Inc., a company listed on the NASDAQ (symbol: API), since December 2014.

Mr. Liu received his master's degree in business administration from China Europe International Business School in April 2000, and his bachelor's degree in industrial electrical automation from University of Science and Technology Beijing in July 1993.

Ji-Xun Foo (符績勳), aged 53, is a non-executive Director.

Mr. Foo has served as a managing partner at GGV Capital, a venture capital firm, since 2006. From 2000 to 2005, Mr. Foo worked at Draper Fisher Jurvetson ePlanet Ventures L.P., a venture capital fund, and last served as a director. From 1996 to 2000, he served as a manager of the Finance and Investment Division of the National Science and Technology Board of Singapore. From 1993 to 1996, Mr. Foo served as the leader of a research and development project at Hewlett-Packard, an information technology company listed on the NYSE (symbol: HPQ).

Mr. Foo has served as a director of Baidu, Inc., a company listed on the NASDAQ (symbol: BIDU) and the Stock Exchange (stock code: 9888) since July 2019.

Mr. Foo received his master of science degree in management of technology in January 1997 and his bachelor's degree with first class honors in engineering in June 1993 from the National University of Singapore.

Fei Yang (楊飛), aged 63, is a non-executive Director. He currently also holds directorship in a member of the Group.

Mr. Yang had served as a partner of IDG Capital, an investment and asset management firm, from 1997 to 2018, and had experience in finance, capital operations, mergers and acquisitions. From 1994 to 1997, Mr. Yang served as a director of the Initial Public Offering Division of the China Securities Regulatory Commission Guangdong Bureau. From 1989 to 1994, he served as a director of the Consultant Division of Guangdong Foreign Trade and Economy Institute, where he specialized in economic research. From 1984 to 1986, Mr. Yang worked at the Jinan Municipal Environmental Protection Bureau. From 1982 to 1984, he worked at the Shandong Academy of Agricultural Sciences as a researcher.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang received his master's degree in environmental geography and his bachelor's degree in geography from Sun Yat-sen University in July 1989 and October 1982, respectively.

Independent Non-executive Directors

Donghao Yang (楊東皓), aged 49, is an independent non-executive Director.

Mr. Yang has served as a director of Yatsen Holding Limited, a company listed on the NYSE (symbol: YSG), since July 2020 and the chief financial officer of Yatsen Holding Limited since November 2020. Mr. Yang has served as a director of Vipshop Holdings Ltd., a company listed on the NYSE (symbol: VIPS), since November 2020 and served as the chief financial officer of Vipshop Holdings Ltd. from August 2011 to November 2020. From 2010 to 2011, he served as the chief financial officer of Synutra International Inc., a company listed on the NASDAQ (symbol: SYUT). From 2007 to 2010, Mr. Yang served as the chief financial officer of Greater China of Tyson Foods, Inc., a company listed on the NYSE (symbol: TSN). From 2003 to 2007, Mr. Yang served as a finance director of Valmont Industries (China) Co., Ltd, a subsidiary of Valmont Industries, Inc., a company listed on the NYSE (symbol: VMI).

Mr. Yang acquired corporate governance experience through his positions as a chief financial officer and director of Vipshop Holdings Ltd. and also as the chief financial officer of Synutra International Inc. and Greater China of Tyson Foods, Inc. His corporate governance experience includes, among others, (i) reviewing, monitoring and implementing companies' policies, practices and compliance, (ii) facilitating effective communication between the board of directors and management, (iii) reviewing related party transactions, and (iv) understanding the duty of directors to act in the best interests of the company and the shareholders as a whole.

Mr. Yang received his master's degree in business administration from Harvard Business School in June 2003, and his bachelor's degree in international economics from Nankai University in July 1993.

Fang Qu (瞿芳), aged 37, has been appointed as our independent non-executive Director and her appointment will take effect from the Listing Date.

Prior to joining our Group, Ms. Qu co-founded lifestyle community platform Xiaohongshu in 2013. She devoted herself to the development and leadership of Xiaohongshu and was responsible for Xiaohongshu's management, strategic partnerships, new business opportunities, and external affairs, and also participated in strategic planning as well as investments and acquisitions. Under her leadership, Xiaohongshu grew from a startup company into one of the important lifestyle community platforms in China. From 2008 to 2013, she managed different business units in Shanghai and Wuhan for a wholly-owned Norwegian entity under Wenao Culture. Prior to working at Wenao Culture, she joined the Bertelsmann Group where she led the marketing segment for its publishing business.

Ms. Qu obtained corporate governance experience in the course of her startup and entrepreneurship experience of developing and leading Xiaohongshu. Her corporate governance experience includes, among others, (i) monitoring and implementing internal control systems, (ii) updating and optimizing corporate governance policies, and (iii) regular communication with the board of directors and shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Qu received her bachelor's degree in international journalism and communication from Beijing Foreign Studies University in July 2006.

HongJiang Zhang (張宏江), aged 60, has been appointed as our independent non-executive Director and his appointment will take effect from the Listing Date.

Dr. Zhang has served as the chairman of the board of Beijing Academy of Artificial Intelligence since December 2018, a senior adviser of Carlyle Group since May 2018 and a venture partner at Source Code Capital since December 2016. From October 2011 to November 2016, he served as the chief executive officer and an executive director of Kingsoft Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3888), and as the founder and chief executive officer of Kingsoft Cloud Holdings Limited, a company listed on the NASDAQ (symbol: KC). From April 1999 to October 2011, Dr. Zhang served as chief technology officer of the Microsoft Asia-Pacific Research and Development Group. Dr. Zhang was appointed as a Microsoft Distinguished Scientist in 2010.

Dr. Zhang has served as an independent director of Zepp Health Corp., a company listed on the NYSE (symbol: ZEPP), since February 2018, and an independent non-executive director and chairman of AAC Technologies Holding Inc., a company listed on the Hong Kong Stock Exchange (stock code: 2018), since January 2019 and May 2020, respectively. He has also served as an independent non-executive director of BabyTree Group, a company listed on the Hong Kong Stock Exchange (stock code: 1761), since November 2018, and an independent director of Digital China Group Co., Ltd. (神州數碼集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000034) since September 2017.

Dr. Zhang has accumulated extensive corporate governance experience through his positions as an independent non-executive director and independent director of Zepp Health Corp., AAC Technologies Holding Inc., BabyTree Group and Digital China Group Co., Ltd. His corporate governance experience includes, among others, (i) reviewing, monitoring and providing recommendations as to companies' policies, practices and compliance, (ii) facilitating effective communication between the board of directors and management, (iii) reviewing and opining on connected transactions, and (iv) understanding the requirements of the Listing Rules and directors' duty to act in the best interests of the company and the shareholders as a whole.

Dr. Zhang received his Ph.D. in electronic engineering from Technical University of Denmark in October 1991, and his bachelor of science degree in radio electronics from Zhengzhou University in July 1982.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, (1) none of the Directors had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately prior to the Latest Practicable Date, (2) there is no other matter in respect of each of our Directors that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and (3) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information in respect of the senior management of the Group:

Name	Position	Age	Date of joining our Group	Role and responsibility
Xiaopeng He (何小鹏)	Co-founder, Chairman of the Board, Executive Director and Chief Executive Officer	43	January 2015	Overall strategic planning and business decision making; member of the compensation committee; member of the nomination committee
Heng Xia (夏珩)	Co-founder, Executive Director and President	37	January 2015	Core strategic planning and overall management of automotive-related areas of the Group
Hongdi Brian Gu (顧宏地)	Honorary Vice Chairman of the Board and President	48	March 2018	Overseeing global strategy, finance, legal, investments, information technologies and administrative functions of the Group
Tao He (何濤)	Co-founder and Senior Vice President	35	January 2015	Overseeing overall research and development function of automotive-related areas of the Group and management of the direct sales and services functions of the Group
Qinghong Liao (廖清紅)	Chief Human Resources Officer and Vice President of Sales and Services	46	May 2018	Overseeing the human resources function and the sales, marketing and services functions of the Group
Hsueh-Ching Lu (呂學慶)	Vice President of Finance and Accounting	57	June 2019	Overseeing the financial management function of the Group
Xinzhou Wu (吳新宙)	Vice President of Autonomous Driving	45	December 2018	Overseeing the autonomous driving function of the Group, including strategic formulation of autonomous driving technologies

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of joining our Group	Role and responsibility
Yu Ji (紀宇)	Vice President of Internet	41	January 2016	Overseeing the internet function of the Group, including product and technology planning of internet-related areas of the Group
Jack Han Xu (徐吉漢)	Vice President of Automotive Research and Development	70	June 2017	Overseeing the automotive research and development function of the Group, including automotive technology planning, as well as product design and technology research and development of Smart EV platforms of the Group
Ping Jiang (蔣平)	Vice President of Manufacturing	65	May 2019	Overseeing the production and manufacturing functions of the Group, including the operation of the manufacturing and engineering center of the Group
Minghui Liu (劉明輝)	Vice President of Powertrain	53	August 2017	Overseeing the powertrain function of the Group, including strategic planning and research and development of powertrain-related areas of the Group

Xiaopeng He (何小鵬), aged 43, is our co-founder, executive Director, chairman of the Board and chief executive officer. For further details, please refer to the section headed “—Executive Directors” above.

Heng Xia (夏珩), aged 37, is our co-founder, executive Director and president. For further details, please refer to the section headed “—Executive Directors” above.

Hongdi Brian Gu (顧宏地), aged 48, is our honorary vice chairman of the Board and president. Dr. Gu currently holds directorships in other members of the Group.

Prior to joining our Group, Dr. Gu worked at J.P. Morgan Chase from 2004 to 2018 and held positions including managing director and chairman of J.P. Morgan Chase Asia Pacific Investment Bank.

Dr. Gu previously served as a director of Uxin Limited, a company listed on the NASDAQ (symbol: UXIN) from June 2018 to June 2019.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Gu received his Ph.D. in biochemistry from the University of Washington in August 1997, his master's degree in business administration from Yale University in May 1999, and his bachelor's degree in chemistry from the University of Oregon in June 1993.

Tao He (何濤), aged 35, is our co-founder and senior vice president. Mr. He currently holds various positions in other members of the Group, including director and supervisor.

Prior to founding our Company, Mr. He worked at the research and development center of GAC from 2011 to 2015, where he built an autonomous driving team, and he was responsible for the development of new energy control systems and involved in the development of GAC's first model of NEV.

Mr. He received his master's degree in power engineering and engineering thermophysics from Tsinghua University in January 2011, and his bachelor's degree in automotive engineering from Tsinghua University in July 2008. Mr. He obtained the qualification certificate of senior engineer (technology entrepreneur) in mechanical engineering issued by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in January 2020.

Qinghong Liao (廖清紅), aged 46, is our chief human resources officer and vice president of sales and services.

Prior to joining our Group, Mr. Liao served in various roles, including senior vice president, the president of human resources and the president of smart hardware at Qihoo 360 Technology Co. Ltd., a China-based internet security company listed on Shanghai Stock Exchange (stock code: 601360) from April 2016 to April 2018. From October 1998 to March 2016, he served in various roles, including software engineer, president of software research and development management department and president of software human resources department, at Huawei Technologies Co., Ltd.

Mr. Liao received his bachelor's degree in computer science and computer application technology from Northwestern Polytechnical University in July 1997.

Hsueh-Ching Lu (呂學慶), aged 57, is our vice president of finance and accounting.

Prior to joining our Group, Mr. Lu was the financial director of Zhengzhou Yutong Bus Co. Ltd., a China-based company listed on the Shanghai Stock Exchange (stock code: 600066) from 2016 to 2019. From April 2016 to September 2016, he served as the chief financial officer of Greater China of Ford Motor Company. From 2010 to 2016, Mr. Lu served as the chief financial officer and the controller and head of project management department of Jiangling Motors Co., Ltd., a China-based company listed on the Shenzhen Stock Exchange (stock code: 000550). From 2006 to 2010, he served as the operating finance director of Chang'An Ford Mazda Automobile Co., Ltd. From 1989 to 2006, Mr. Lu served in various roles, primarily including controller of technology operations, controller relating to accounting, tax, legal and after-sales business, and associate of planning department, at Ford Lio Ho Motor Company, Ltd., an automotive manufacturing company in Taiwan.

Mr. Lu received his executive master of business administration degree from National Central University in Taiwan in June 2002 and his bachelor's degree in business administration from Chung Yuan Christian University in Taiwan in June 1986.

DIRECTORS AND SENIOR MANAGEMENT

Xinzhou Wu (吳新宙), aged 45, is our vice president of autonomous driving and the director of our autonomous driving center. He also currently serves as a director and chief executive officer of a member of our Group.

Prior to joining our Group, Dr. Wu was a senior director of engineering and the head of the autonomous driving/ADAS team at Qualcomm Incorporated, a company listed on the NYSE (symbol: QCOM). He served at Qualcomm Incorporated from January 2006 to November 2018 and has taken many leadership roles in various research and development projects during his tenure at Qualcomm Incorporated. He is well recognized for his many contributions in autonomous driving, precise localization and mapping, vehicle-to-everything (V2X), communications and wireless networking in industrial and academic society. From 2005 to 2006, Dr. Wu served as a member of research team of Flarion Technologies Inc., a wireless technology company acquired by Qualcomm Incorporated in 2006.

Dr. Wu received his Ph.D. in electric engineering from University of Illinois at Urbana-Champaign in December 2004, his master's degree in electric engineering from University of Illinois at Urbana-Champaign in May 2000 and his bachelor's degree in electric engineering from Tsinghua University in June 1998.

Yu Ji (紀宇), aged 41, is our vice president of internet. He also currently serves as a supervisor of a member of our Group.

Prior to joining our Group, Mr. Ji was the chief executive officer of Shanghai Youzhu Information Technology Co., Ltd., a China-based technology company from 2015 to 2016. From 2010 to 2015, he served as the director of the innovative business department under the game center of UCWeb Inc. From 2004 to 2010, Mr. Ji served as the director of the wireless technology laboratory of Tencent Holdings Ltd., a technology company listed on the Hong Kong Stock Exchange (stock code: 0700).

Mr. Ji received his bachelor's degree in hydraulic and hydroelectric engineering from Huazhong University of Science and Technology in June 2002.

Jack Han Xu (徐吉漢), aged 70, is our vice president of automotive research and development.

Prior to joining our Group, Dr. Xu was a vice president of NIO Inc. (US Center), a China-based EV company listed on the NYSE (symbol: NIO), from 2016 to 2017. From 2014 to 2016, he served as the vice president of Fisker Automotive (currently known as Karma Automotive), a maker of luxury hybrid electric vehicles. From 2009 to 2014, Dr. Xu served as the chief engineer of the Research and Development Center of GAC. From 2008 to 2009, he served as the chief engineer of AVL List GmbH (US Campus), an Austria-based company that provides the development, simulation and testing of powertrain systems. From 2007 to 2008, Dr. Xu served as the director of Hong Kong Automotive Parts and Accessory Systems Research and Development Center. From 1996 to 2007, he served in various roles, including manager and technical expert in the electric powertrain department at Ford Motor Company. From 1994 to 1996, Dr. Xu served as a senior controls engineer of the brake system department of the Continental AG based in the United States.

Dr. Xu completed his postdoctoral research in control engineering at the School of Aeronautics and Astronautics of Purdue University in April 1991, received his Ph.D. in automation from Swiss Federal

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Institute of Technology in Zurich in March 1989 and his bachelor's degree in industrial automation from Huazhong University of Science and Technology in January 1982. Dr. Xu obtained the qualification certificate of senior engineer in mechanical automation issued by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in June 2020.

Ping Jiang (蔣平), aged 65, is our vice president of manufacturing.

Prior to joining our Group, Mr. Jiang was a vice president of NIO Inc. from 2016 to 2019. From 2013 to 2016, he served as a vice president of GAC. From 2010 to 2013, Mr. Jiang serviced as an executive vice president of GAC Fiat Chrysler Automobiles Co., Ltd. From 2007 to 2010, he served as a deputy general manager of GAC. From 2001 to 2007, Mr. Jiang served as a deputy general manager at Guangzhou Honda Automobile Co., Ltd. From 2000 to 2001, he served as a vice chairman and general manager at GAC Component Co., Ltd. From 1986 to 2000, Mr. Jiang served in various roles, including clerk of research department, procurement vice manager and deputy general manager in charge of sales, at Guangzhou Peugeot Automobile Company.

Mr. Jiang completed his business administration training under a joint education program from Jilin University of Technology and Coventry University in April 2000, received his master's degree in internal combustion engine from Hunan University in December 1985, and received his bachelor's degree in internal combustion engine from Hunan University in July 1982. Mr. Jiang obtained the qualification certificate of senior mechanical and electrical engineer issued by Guangzhou Municipal Human Resources and Social Security Bureau (廣州市人力資源社會保障局) in April 2014.

Minghui Liu (劉明輝), aged 53, is our vice president of powertrain.

Prior to joining our Group, Dr. Liu worked at China FAW Group Co., Ltd., a China-based automotive manufacturing company from 1992 to 2017. Dr. Liu became a vice president of the technology research institute of China FAW Group Co., Ltd. in 2016.

Dr. Liu has served as a director of Beijing Easpring Material Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300073) since April 2021.

Dr. Liu received his Ph.D. in automotive engineering from Jilin University in June 2005, his master's degree in automotive design and manufacturing and his bachelor's degree in automotive from Jilin University of Technology in March 1992 and July 1989, respectively. Dr. Liu obtained the qualification certificate of senior engineer in automotive issued by the Human Resources and Social Security of Jilin Province (吉林省人力資源和社會保障廳) in January 2014.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, (1) none of the senior managers had held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately prior to the Latest Practicable Date, (2) there is no other matter in respect of each of our senior managers that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and (3) there is no other material matter relating to our senior managers that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Yeqing Zheng (鄭葉青), aged 38, has been appointed as our joint company secretary taking effect before Listing. Mr. Zheng joined our Group in November 2020 and has since served as the international general counsel and the compliance officer of the Group. Prior to joining our Group, Mr. Zheng worked at Sullivan & Cromwell LLP from November 2009 to November 2020, during which he served as an associate and last served as special counsel. Mr. Zheng was admitted to the New York Bar in March 2010. Mr. Zheng received his juris doctor degree from Yale University in June 2009, his master of environmental management degree from Yale University in May 2006, and his bachelor of environmental engineering degree from Tsinghua University in July 2004.

Ming Wai Mok (莫明慧), aged 51, has been appointed as our joint company secretary taking effect before Listing. Ms. Mok is an executive director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. Ms. Mok has over 25 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Mok is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators). She obtained a master degree of science in applied accounting and finance from the Hong Kong Baptist University in 2011. She is currently a joint company secretary of Sihuan Pharmaceutical Holdings Group Ltd. (四環醫藥控股集團有限公司), a company listed on the Stock Exchange (stock code: 0460).

DIRECTORS' REMUNERATION

For details of the appointment letters that we have entered into with our Directors, see “Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—1. Particulars of Letters of Appointment” in Appendix IV to this prospectus.

The remuneration of our Directors and senior management is paid in the form of fees, basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme and discretionary bonuses.

The aggregate amount of remuneration (including fees, basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme and discretionary bonuses) for our Directors for the years ended December 31, 2018, 2019, 2020 and the three months ended March 31, 2021 were RMB3,443,000, RMB12,148,000, RMB440,116,000 and RMB5,528,000 (US\$844,000), respectively.

The aggregate amount of remuneration (including basic salaries, housing fund, allowances and benefits in kind, employer's contributions to a retirement benefit scheme, discretionary bonuses and remuneration paid or receivable in respect of accepting office as Director) for the five highest paid individuals of the Group, excluding our Directors, for the years ended December 31, 2018, 2019, 2020 and the three months ended March 31, 2021 were RMB37,485,000, RMB22,864,000, RMB95,189,000 and RMB13,300,000 (US\$2,030,000), respectively.

Under the arrangement currently in force, the Company expects that the aggregate amount of remuneration (including fees, basic salaries, housing fund, allowances and benefits in kind, employer's

DIRECTORS AND SENIOR MANAGEMENT

contributions to a retirement benefit scheme and discretionary bonuses) to be paid to our Directors for the year ended December 31, 2021 will be approximately RMB16.3 million.

Further information on the remuneration of the Directors and the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix I to this prospectus.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

During the Track Record Period, an aggregate amount of RMB11.7 million was paid to our Directors and the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

CORPORATE GOVERNANCE

Audit Committee

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (with effect from Listing). The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of the Group, manage risk, oversee the internal audit function, and provide advice and comments to the Board.

Upon Listing, the audit committee will consist of three members, namely Ji-Xun Foo, Donghao Yang, and HongJiang Zhang. The chairperson of the audit committee is Donghao Yang, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. For the avoidance of doubt, the appointment of HongJiang Zhang to our audit committee will take effect upon Listing.

Compensation Committee

Our compensation committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (with effect from Listing). The primary duties of the compensation committee are, among other things, to review and make recommendations to the Board regarding the remuneration packages, bonuses and other compensation payable to the Directors and senior management.

Upon Listing, the compensation committee will consist of three members, namely Xiaopeng He, Fang Qu, and HongJiang Zhang. The chairperson of the compensation committee upon Listing will be Fang Qu. For the avoidance of doubt, the appointment of Fang Qu and HongJiang Zhang to our compensation committee will take effect upon Listing.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

Our nomination committee is in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and Chapter 8A of the Listing Rules (with effect from Listing). The primary duties of the nomination committee are, among other things, to make recommendations to the Board regarding the appointment of Directors and Board succession. The existing nominating and corporate governance committee of the Company will be re-designated and separated into (i) the nomination committee and (ii) the corporate governance committee with effect from Listing. Upon Listing, the nomination committee will comprise of three members, namely Xiaopeng He, Fang Qu and HongJiang Zhang. For the avoidance of doubt, the appointment of Fang Qu and HongJiang Zhang to our nomination committee will also take effect upon Listing. The chairperson of the nomination committee upon Listing will be HongJiang Zhang.

Corporate Governance Committee

Our corporate governance committee is in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and Chapter 8A of the Listing Rules (with effect from Listing). The primary duties of the corporate governance committee are, among other things, to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting right structures of the Company.

The existing nominating and corporate governance committee of the Company will be re-designated and separated into (i) the nomination committee and (ii) the corporate governance committee with effect from Listing. Upon Listing, the corporate governance committee will comprise of three independent non-executive Directors, namely Donghao Yang, Fang Qu and HongJiang Zhang. For the avoidance of doubt, the appointment of Donghao Yang, Fang Qu and HongJiang Zhang to our corporate governance committee will also take effect upon Listing. The chairperson of the corporate governance committee upon Listing will be Donghao Yang. For details of their experience in corporate governance related matters, please refer to the biographies of our independent non-executive Directors in the section headed “—Independent Non-Executive Directors” above.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

DIRECTORS AND SENIOR MANAGEMENT

- (e) to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its Shareholders;
- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the Company's Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or Shareholder on one hand and any beneficiary of weighted voting rights on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the Board on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The functions of our independent non-executive Directors include:

- (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

DIRECTORS AND SENIOR MANAGEMENT

- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, compensation, nomination and corporate governance committees, if invited;
- (d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Chairman of the Board and Chief Executive

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Xiaopeng He currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rules 3A.19 and 8A.33 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this prospectus;
- (d) where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

BOARD DIVERSITY POLICY

We will adopt a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our nomination committee will be responsible for the implementation of our board diversity policy. Upon completion of the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our Corporate Governance Report on an annual basis.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Each of the Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the Global Offering, Mr. Xiaopeng He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He.

Without taking into account (i) any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option; and (ii) any Class A ordinary share to be issued under the 2019 Equity Incentive Plan, including pursuant to the exercise or vesting of awards that have been granted, and considering that all Class C ordinary shares held by Taobao China and all Class B ordinary shares beneficially owned by Mr. Tao He will be converted into Class A ordinary shares upon Listing, Mr. He will be interested in approximately 20.6% of our issued and outstanding share capital, and will be entitled to exercise approximately 64.8% of the voting rights in the Company (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote) upon the completion of the Global Offering. Therefore, Mr. He, Simplicity Holding and Respect Holding together will constitute Controlling Shareholders of our Company after the Listing. See “Share Capital – Weighted Voting Rights Structure” for details of the weighted voting rights attached to the Class B ordinary shares.

OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. He owns the majority of the equity interest in Guangzhou Huitian. The principal business of Guangzhou Huitian is the research, development, production and sales of flying vehicles and robots. The business of Guangzhou Huitian is still at its early stage and has not commenced the mass manufacturing of any product.

With the differences in product focus and stage of development, our Directors believe that the business of Guangzhou Huitian is delineated from, does not and will not compete with, our business as a Smart EV company that design, develop, manufacture and market Smart EVs in China.

Our Controlling Shareholders and/or our Directors may, from time to time, make investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which all of our business segments also operate. To the extent our Directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our Directors, as a group, and signifies their passion for the industries in which we operate.

Save as disclosed above, apart from our Group, as of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates were conducting any businesses or holding controlling interest directly or indirectly in companies which are engaged in businesses in competition or is likely to be in competition with the businesses of our Group directly or indirectly, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management Independence

Our business is managed and conducted by our Board and senior management. Mr. He, a Controlling Shareholder, is also one of our executive Directors.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of their fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as a Director and their personal interests, and Director with potential conflict of interest shall abstain from voting at the relevant Board meeting;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in “—Corporate governance measures.”

Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Group holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our clients and an independent management team to operate our business.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We can obtain financing from third parties, if necessary, without reliance on our Controlling Shareholders.

During the Track Record Period, we had certain amounts due to and from related parties, as detailed in note 26 to the Accountant's Report in Appendix I. The amounts due to and from related parties were RMB14.8 million and RMB0.7 million as of April 30, 2021. As of the Latest Practicable Date, there is no outstanding loan or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

The Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, the Company has established a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (c) we have appointed Guotai Junan Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) we have established our audit committee, compensation committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering, the following persons will have an interest or short position in our Shares or underlying Shares which would be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of share of our Company or any other member of our Group:

Interest in the Shares of our Company

Name of Shareholder	Capacity/ Nature of interest	Number of Shares ⁽¹⁾	Approximate % of shareholding in respective class of share of our Company after the Global Offering ⁽¹⁾
<i>Class A ordinary shares</i>			
Taobao China ⁽²⁾	Beneficial interest	191,918,464	15.0%
Taobao Holding Limited ⁽²⁾	Interest in controlled corporations	191,918,464	15.0%
Alibaba Group Holding Limited ⁽²⁾	Interest in controlled corporations	191,918,464	15.0%
Pacific Rays Limited ⁽³⁾	Beneficial interest	77,350,175	6.0%
Shanghai Keji Enterprise Management Partnership (LLP) ⁽³⁾	Interest in controlled corporations	77,350,175	6.0%
Tianjin Hexie Qingyu Investment Management Partnership (LLP) ⁽³⁾	Interest in controlled corporations	77,350,175	6.0%
Xizang Qingyu Venture Capital Management Co., Ltd ⁽³⁾	Interest in controlled corporations	77,350,175	6.0%
<i>Class B ordinary shares</i>			
Simplicity Holding Limited ⁽⁴⁾	Beneficial interest	327,708,257	80.0%
Respect Holding Limited ⁽⁴⁾	Beneficial interest	21,000,000	5.1%
Mr. Xiaopeng He ⁽⁴⁾	Interest in controlled corporations	348,708,257	85.1%
Efficiency Investment Limited ⁽⁵⁾	Beneficial interest	61,137,879	14.9%
Mr. Heng Xia ⁽⁵⁾	Interest in controlled corporations	61,137,879	14.9%

Notes:

(1) The table above assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, and without taking into account any Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan.

(2) As of the Latest Practicable Date, Taobao China holds 13,300,000 Class A ordinary shares and 178,618,464 Class C ordinary shares. As discussed in the “Share Capital” section, all Class C ordinary shares held by Taobao China will be converted into

SUBSTANTIAL SHAREHOLDERS

Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering. As a result, Taobao China will hold 191,918,464 Class A ordinary shares upon completion of the Global Offering. Taobao China is wholly owned by Taobao Holding Limited, which is in turn wholly owned by Alibaba Group Holding Limited. Under the SFO, Taobao Holding Limited and Alibaba Group Holding Limited are deemed to be interested in the Shares held by Taobao China.

- (3) Pacific Rays Limited is wholly owned by Shanghai Keji Enterprise Management Partnership (LLP), whose general partner is Tianjin Hexie Qingyu Investment Management Partnership (LLP). Tianjin Hexie Qingyu Investment Management Partnership (LLP) is in turn controlled by Xizang Qingyu Venture Capital Management Co., Ltd, its general partner.
- (4) Simplicity Holding Limited and Respect Holding Limited are both wholly owned by Mr. He.
- (5) Efficiency Investment Limited is wholly owned by Mr. Heng Xia.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary Shares held by Taobao China have been converted to Class A ordinary Shares, and without taking into account any the Class A ordinary Shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of (i) our authorized share capital; (ii) share capital issued and outstanding; and (iii) to be issued as fully paid immediately prior to and following completion of the Global Offering.

Authorized share capital

Description of share	Number	Aggregate nominal value
Class A ordinary share with a nominal value of USD0.00001 each	8,850,000,000	USD88,500
Class B ordinary share with a nominal value of USD0.00001 each	750,000,000	USD7,500
Class C ordinary share with a nominal value of USD0.00001 each ⁽¹⁾ . . .	400,000,000	USD4,000
Total	10,000,000,000	USD100,000

Note:

- (1) The Company will put forth resolutions to amend its Memorandum and Articles such that the authorized share capital of the Company will consist of Class A ordinary shares and Class B ordinary shares only at the next general meeting of the Company following the Listing, which we have undertaken to convene within six months of the Listing. For further information, please refer to “Waivers from Strict Compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company.”

Issued and outstanding as of the Latest Practicable Date

Description of share	Number	Aggregate nominal value	Approximate percentage of issued share capital
Class A ordinary shares with a nominal value of USD0.00001 each	998,203,046 ⁽¹⁾	USD 9,982.03046 ⁽¹⁾	62.1%
Class B ordinary shares with a nominal value of USD0.00001 each which are beneficially owned by Mr. Tao He	20,000,000 ⁽²⁾	USD 200.00000 ⁽²⁾	1.2%
Class C ordinary shares with a nominal value of USD0.00001 each	178,618,464 ⁽³⁾	USD1,786.18464 ⁽³⁾	11.1%
Sub-total	1,196,821,510	USD 11,968.21510	74.4%
Class B ordinary share with a nominal value of USD0.00001 each which are beneficially owned by Mr. Xiaopeng He and Mr. Heng Xia	409,846,136	USD 4,098.46136	25.6%
Total	1,606,667,646	USD16,066.67646	100%

Notes:

- (1) This reflects the number of Class A ordinary shares issued and outstanding immediately prior to conversion of Class B ordinary shares by Mr. Tao He and conversion of Class C ordinary shares by Taobao China. It excludes 7,413,480 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under our 2019 Equity Incentive Plan.

SHARE CAPITAL

- (2) The Class B ordinary shares beneficially owned by Mr. Tao He will be converted to Class A ordinary shares upon the completion of the Global Offering.
- (3) The Class C ordinary shares will be converted to Class A ordinary shares upon the completion of the Global Offering.

Conversion of Class B ordinary shares by Mr. Tao He

As of the Latest Practicable Date, Mr. Tao He beneficially owned 20,000,000 Class B ordinary shares of the Company through Quality Enterprises Limited, a limited liability company wholly owned by him. Pursuant to our current Memorandum and Articles of Association, in respect of all matters subject to a shareholders' vote, each Class B ordinary shares is entitled to 10 votes. Rule 8A.11 of the Listing Rules provides that each WVR Beneficiary must be a director of the issuer at the time of listing. Since Mr. Tao He will resign from directorship with effect from Listing, Mr. Tao He will deliver a written conversion notice to the Company and complete the conversion of the Class B ordinary shares beneficially owned by him to Class A ordinary shares of the Company upon or before, and subject to, the Listing becoming effective.

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Conversion of Class C ordinary shares

Upon our listing on the New York Stock Exchange, Taobao China held 178,618,464 Class C ordinary shares in the issued share capital of the Company (the “**Alibaba Class C Shares**”). Under the seventh amended and restated Memorandum and Articles of Association of the Company: (a) Taobao China is entitled to appoint one individual as a member of the Board; (b) Taobao China is entitled to remove such individual as a member of the Board (collectively with (a), the “**Director Appointment and Removal Right**”); and (c) each Alibaba Class C Share is entitled to five votes (the “**Class C WVR Right**”). As of the Latest Practicable Date, Taobao China beneficially owned all of the issued Class C ordinary shares of the Company.

Agreement entered into among Taobao China, Xiaopeng He and the Company

In connection with the Listing, on June 22, 2021, Taobao China, Xiaopeng He (“**Mr. He**”) and the Company entered into an agreement (the “**Relevant Agreement**”) under which Taobao China undertook to the Company and Mr. He that, with respect to the shares of the Company held by Taobao China as of the date of the Relevant Agreement (including, for the avoidance doubt, the Class A ordinary shares to be converted from all of the Class C ordinary shares held by Taobao China as part of the Listing) (the “**Agreement Date Taobao Shareholding**”):

1. on the day before the date on which the PHIP (as defined in the Listing Rules) of the Company is published, to deliver the written conversion notice to the Company and complete the conversion of all the Alibaba Class C Shares into Class A ordinary shares on a one-on-one basis upon or before, and subject to, the Listing becoming effective;
2. after the Listing becoming effective, not to exercise the Director Appointment and Removal Right; and
3. after the Listing becoming effective, to attend any class meeting and any general meeting (whether in person or by proxy) that may be convened by the Company to exercise, all of the voting rights attached to the Agreement Date Taobao Shareholding to vote in favor of any resolution at any such meeting of the Company to approve the amendments of the Memorandum and Articles of Association to incorporate the Unmet Articles Requirements (as defined in the section headed “Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company”).

Under the Relevant Agreement, Mr. He undertook to Taobao China that with respect to the shares of the Company held by Mr. He as of the date of the Relevant Agreement:

1. if, at any time after the Listing becoming effective, there is any change in the Listing Rules or any change in the interpretation of the Listing Rules by the Hong Kong Stock Exchange and the SFC, such that Taobao China is permitted under the Listing Rules to be a beneficiary of the Class C WVR Right, Mr. He will, upon Taobao China’s request and in his capacity as a direct and/or indirect shareholder and/or beneficial owner of shares of the Company, use all his reasonable endeavors to assist, and procure the Company to use all its reasonable endeavors to

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assist, Taobao China with a view to reinstating the Class C WVR Right enjoyed by Taobao China before the Listing, provided that this undertaking shall lapse upon such completion of such reinstatement;

2. if, at any time after the Listing becoming effective, Taobao China nominates, in accordance with the Memorandum and Articles of Association, by itself or together with any other shareholder of the Company, a candidate to stand for election or re-election as a Director at any general meeting of the Company (the “**Alibaba Nominee**”), Mr. He shall, in his capacity as a shareholder of the Company, to the extent permitted under the applicable laws and regulations and the Memorandum and Articles of Association, vote (and/or procure votes which are controlled by him be cast) in favor of any resolution which is proposed at such general meeting of the Company to appoint such Alibaba Nominee as a Director, provided that:
 - a. the Alibaba Nominee fulfills the qualification and experience requirements of a director of the Company under the applicable laws and regulations and the Memorandum and Articles of Association;
 - b. no other Director immediately after the conclusion of such general meeting is a Alibaba Nominee or a Director nominated or appointed by Taobao China prior to the Listing; and
 - c. this undertaking shall cease to have any effect when the aggregate shareholding of all affiliates of Alibaba Group Holding Limited in the Company is less than 5% of the total issued shares of the Company; and
3. after the date on which the Listing becoming effective, he will use all his reasonable endeavors to procure that the Memorandum and Articles of Association will be amended based on the timetable set out in “Waivers from Strict Compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company” to reflect that any shareholder or shareholders whose shareholding interests in the Company represent, in the aggregate, at least 10% of the total issued and outstanding Class A ordinary shares of the Company shall be entitled to nominate one individual to stand for election or re-election as a Director at any general meeting of the Company.

For the avoidance of doubt, so long as Mr. He is a director of the Company, any act or decision of Mr. He in his capacity as a director is subject to his overriding need to comply with his fiduciary duties under the applicable laws and regulations and the Memorandum and Articles of Association. In addition, fulfillment of the undertakings by Mr. He to Taobao China as set out above shall be subject to compliance with the prevailing Listing Rules. The Company will provide updates on the compliance of the Relevant Agreement by the parties thereto in its annual reports after the Listing.

Only the Agreement Date Taobao Shareholding is subject to the undertakings given by Taobao China to the Company and Mr. He as set out above. Any shares of the Company acquired by Taobao China after the date of the Relevant Agreement (for the avoidance doubt, the Class A ordinary shares to be converted from all of the Class C ordinary shares held by Taobao China as at the date of the Relevant Agreement shall not be considered as shares of the Company acquired by Taobao China after the date of the Relevant Agreement) shall not be subject to those undertakings.

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Only the shares of the Company held by Mr. He as of the date of the Relevant Agreement are subject to the undertakings given by Mr. He to Taobao China as set out above. Any shares of the Company acquired by Mr. He after the date of the Relevant Agreement shall not be subject to those undertakings.

To illustrate the effect of the fulfillment of the undertaking provided by Mr. He to Taobao China in paragraph 1 above (assuming that all necessary conditions to such undertaking have been satisfied) such that the Class C WVR Right enjoyed by Taobao China before the Listing will be reinstated, the table below is prepared to set forth the number of Shares held, voting rights, beneficial interests and percentage of issued and outstanding Class A ordinary shares of the Company's major shareholders and other shareholders upon Listing, assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China are not converted to Class A ordinary shares.

The table below has been prepared for illustrative purposes only and is of hypothetical nature.

Shareholders	Class of Shares	Number of Shares	Voting Rights	Beneficial Interest	Percentage of issued and outstanding Class A ordinary shares
WVR Beneficiaries	Class A ordinary shares	12,580	0.0%	0.0%	0.0%
	Class B ordinary shares	409,846,136	67.2%	24.2%	0.0%
Other Directors and Officers ⁽¹⁾	Class A ordinary shares	68,083,364	1.1%	4.0%	6.2%
XPeng Fortune	Class A ordinary shares	13,550,190	0.2%	0.8%	1.2%
Taobao China	Class A ordinary shares	13,300,000	0.2%	0.8%	1.2%
	Class C ordinary shares	178,618,464	14.7%	10.5%	0.0%
IDG Entity	Class A ordinary shares	77,350,175	1.3%	4.6%	7.0%
5Y Capital Entities	Class A ordinary shares	51,876,700	0.9%	3.1%	4.7%
GGV Entities	Class A ordinary shares	45,703,706	0.8%	2.7%	4.1%
Other Shareholders	Class A ordinary shares	833,276,331	13.6%	49.3%	75.6%
Total		1,691,667,646	100%	100%	100%

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Note:

- Including the shareholding of Mr. Hongdi Brian Gu and Mr. Tao He, both of whom will resign from directorship with effect from Listing.

Shareholders	Class of Shares	Number of Shares	Voting Rights	Beneficial Interest	Percentage of issued and outstanding Class A ordinary shares
Tao He	Class A ordinary shares	20,012,580	0.3%	1.2%	1.8%
Hongdi Brian Gu	Class A ordinary shares	38,530,738	0.6%	2.3%	3.5%
Others	Class A ordinary shares	9,540,046	0.2%	0.5%	0.9%
Other Directors and officers	Class A ordinary shares	68,083,364	1.1 %	4.0%	6.2%

Issued and outstanding following the completion of the Global Offering

Description of share	Number	Aggregate nominal value	Approximate percentage of issued and outstanding share capital
Class A ordinary shares with a nominal value of USD0.00001 each	1,281,821,510	USD12,818.21510	75.8%
Class B ordinary Shares with a nominal value of USD0.00001 each	409,846,136	USD4,098.46136	24.2%
Total	1,691,667,646	USD16,916.67646	100%

Assumptions

The above table assumes that (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares.

RANKING

The Offer Shares are Class A ordinary shares and rank equally with all Class A ordinary shares currently in issue or to be issued as mentioned in this prospectus and all Shares will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

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WEIGHTED VOTING RIGHTS STRUCTURE

WVR structure

The Company has adopted a WVR structure. Under this structure, the Company's share capital comprises Class A ordinary shares, Class B ordinary shares and Class C ordinary shares as of date of this prospectus. As discussed in the paragraph headed "Authorized and Issued Share Capital" in this section, Class C ordinary shares held by Taobao China will be converted to Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering and the Company will put forth resolutions to amend its Memorandum of Association such that the authorized share capital of the Company will consist of Class A ordinary shares and Class B ordinary shares only at the next general meeting of the Company following the Listing, which we have undertaken to convene within six months of the Listing. Each Class A ordinary share entitles its holder to exercise one vote, while each Class B ordinary share entitles its holder to exercise ten votes, respectively, on all matters that require a shareholder's vote, subject to Rule 8A.24 that requires a limited number of Reserved Matters to be voted on a one vote per share basis as set out below (save for the specified exception for the compliance of Rule 8A.24).

The Reserved Matters are:

- (i) any amendment to the Memorandum and Articles of Association, including the variation of the rights attached to any class of shares;
- (ii) the appointment or removal of an independent non-executive Director;
- (iii) the appointment or removal of the Company's auditors; and
- (iv) the voluntary winding-up of the Company.

In addition, our Memorandum and Articles of Association do not currently satisfy some of the articles requirements pursuant to Rule 8A.44 of, and Appendix 3 and Appendix 13 to, the Listing Rules (the "**Unmet Listing Rules Articles Requirements**"), and we will put forth resolutions to incorporate the Unmet Listing Rules Articles Requirements into our Memorandum and Articles of Association at an extraordinary general meeting to be convened within six months of the Listing.

In addition to our undertaking to seek shareholders' approval to amend our Memorandum and Articles of Association to comply with the Unmet Listing Rules Articles Requirements, we have undertaken to the Stock Exchange that we will, and subject to the exceptions set out in the section headed "Waivers from Strict Compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company", comply with the Unmet Listing Rules Articles Requirements upon the Listing and before our existing Memorandum and Articles of Association are formally amended as if such requirements have already been incorporated into our Memorandum and Articles of Association.

See "Waivers from Strict Compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company" for further details.

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The table below sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the Global Offering:

Class of ordinary shares held by the WVR Beneficiaries	Number of Shares	Approximate percentage of issued and outstanding share capital ⁽¹⁾ <i>(before Over-allotment Option is exercised)</i>	Approximate percentage of voting rights ⁽¹⁾⁽²⁾	Approximate percentage of issued and outstanding share capital ⁽¹⁾ <i>(after Over-allotment Option is exercised)</i>	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Class A	12,580	0.0%	0.0%	0.0%	0.0%
Class B	409,846,136	24.2%	76.2%	24.0%	76.0%
Total	409,858,716	24.2%	76.2%	24.0%	76.0%

Notes:

- (1) Excluding 7,413,480 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercising or vesting of awards granted under our 2019 Equity Incentive Plan and assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; (iii) no Class A ordinary shares are issued upon the vesting of RSUs pursuant to our 2019 Equity Incentive Plan, and considering all Class C ordinary shares held by Taobao China will be converted to Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering.
- (2) On the basis that holder of Class A ordinary shares is entitled to one vote per share and holder of Class B ordinary shares is entitled to ten votes per Share.

Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Immediately after the completion of the Global Offering, upon the conversion of all the issued and outstanding Class B ordinary shares into Class A ordinary shares, the Company will issue 409,846,136 Class A ordinary shares, representing approximately 32.0% of the total number of issued and outstanding Class A ordinary shares upon completion of the Global Offering (excluding 7,413,480 Class A ordinary shares issued to our depository bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under our 2019 Equity Incentive Plan and assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) all Class B ordinary shares beneficially owned by Mr. Tao He are converted to Class A ordinary shares upon the completion of the Global Offering; (iv) no Class A ordinary shares are issued upon the vesting of RSUs pursuant to our 2019 Equity Incentive Plan; and (v) all Class C ordinary shares held by Taobao China are converted to Class A ordinary shares upon the completion of the Global Offering).

The weighted voting rights attached to our Class B ordinary shares will cease when none of the WVR Beneficiaries have beneficial ownership of any of our Class B ordinary shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties

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as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

- (ii) when the holders of Class B ordinary shares have transferred to another person of the beneficial ownership of, or economic interest in, all of the Class B ordinary shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (iii) where a vehicle holding Class B ordinary shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rules; or
- (iv) when all of the Class B ordinary shares have been converted to Class A ordinary shares.

The Company undertakes to, upon the Listing, instruct the Principal Share Registrar to notify the Company of any proposed transfer of Class B ordinary shares and not to register any such transfer except in accordance with the Listing Rules.

WVR Beneficiaries

Immediately upon the completion of the Global Offering, the WVR Beneficiaries will be Mr. Xiaopeng He (our co-founder, chairman of the Board, executive Director, and chief executive officer) and Mr. Heng Xia (our co-founder, executive Director and president) (assuming all Class B ordinary shares beneficially owned by Mr. Tao He are converted to Class A ordinary shares upon the completion of the Global Offering). As of the Latest Practicable Date, the shareholding of Mr. He and Mr. Heng Xia are as follows:

WVR Beneficiaries	Class of Shares	Number of Shares
Mr. Xiaopeng He	Class B ordinary shares	348,708,257
Mr. Heng Xia	Class A ordinary shares	12,580
	Class B ordinary shares	61,137,879

Without taking into account (i) any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option; and (ii) any Class A ordinary share to be issued under the 2019 Equity Incentive Plan, including pursuant to the exercise or vesting of awards that have been granted, and considering that all Class C ordinary shares held by Taobao China and all Class B ordinary shares held by Mr. Tao He will be converted into Class A ordinary shares upon Listing:

- Mr. He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He, representing approximately 20.6% of our total issued and outstanding share capital and approximately 20.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 64.8% with respect to matters other than the Reserved Matters upon completion of the Global Offering.
- Mr. Heng Xia will be interested in and will control, through Efficiency Investment Limited, 12,580 Class A ordinary shares and 61,137,879 Class B ordinary shares, representing

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approximately 3.6% of our total issued share capital, approximately 3.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 11.4% with respect to matters other than the Reserved Matters upon completion of the Global Offering.

Assuming (i) the Over-allotment Option is fully exercised and we may be required to issue up to 12,750,000 new Class A ordinary shares and (ii) no other Shares are issued under the 2019 Equity Incentive Plan, and considering that all Class C ordinary shares held by Taobao China and all Class B ordinary shares held by Mr. Tao He will be converted into Class A ordinary shares upon Listing:

- Mr. He will be interested in and will control 348,708,257 Class B ordinary shares held by Simplicity Holding and Respect Holding, both of which are wholly-owned by Mr. He, representing approximately 20.5% of our total issued and outstanding share capital and approximately 20.5% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 64.7% with respect to matters other than the Reserved Matters upon completion of the Global Offering.
- Mr. Heng Xia will be interested in and will control, through Efficiency Investment Limited, 12,580 Class A ordinary shares and 61,137,879 Class B ordinary shares, representing approximately 3.6% of our total issued share capital, approximately 3.6% of the voting rights in our Company with respect to shareholder resolutions relating to Reserved Matters, and approximately 11.3% with respect to matters other than the Reserved Matters upon completion of the Global Offering.

The Company's WVR structure enables the WVR Beneficiaries to exercise voting control over the Company notwithstanding that the WVR Beneficiaries do not hold a majority economic interest in the share capital of the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control the Company with a view to its long-term prospects and strategy.

The Company was established by our three founders, including Mr. He and Mr. Heng Xia, who shared the belief and aspiration to transform the traditional automotive industry in which customers have been long underserved and drive the development of Smart EV with technology and data. In order to achieve this common goal, Mr. He and Mr. Heng Xia have leveraged their professional background, experience in automobile and technology industries and technical skills to design the distinctive strategy of promoting self-development of key software and hardware for the purpose of enabling the software innovation and iteration for the Company and execute such plan along with other employees.

Mr. He obtained a bachelor's degree in computer science and later co-founded UCWeb Inc., which was acquired by Alibaba Group in 2014. Since then, Mr. He assumed various positions at Alibaba Group, including the president of Alibaba mobile business group, chairman of Alibaba Games and president of Tudou.com. Therefore, Mr. He has over 10 years of experience in the technology industry. Mr. Heng Xia obtained a bachelor's degree in automotive engineering and master's degree in mechanical engineering from Tsinghua University. Prior to co-founding the Company, Mr. Heng Xia worked at the research and development center of GAC from 2008 to 2014. Therefore, Mr. Heng Xia has more than 9 years of

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experience in the automobile industry. Accordingly, Mr. He and Mr. Heng Xia have acquired deep experience in technology or automobile industry. For a discussion of the biographies of Mr. He and Mr. Heng Xia, please see the section headed “Directors and Senior Management” of this prospectus.

Since the establishment of the Group in 2015, Mr. He and Mr. Heng Xia have led the Group to grow organically through dedication to research and development to attain technological advancement and construction of self-built manufacture base for the purpose of controlling and managing the production process. As a result, various business milestones have been achieved.

Each of Mr. He and Mr. Heng Xia has assumed, and is expected to maintain, an active executive role within the Company. Mr. He has served as the chairman and executive officer of the Group since August 2017. Mr. Heng Xia has served as a director and president of the Group since January 2015. Each of Mr. He and Mr. Heng Xia will also remain a Director of the Company upon the Listing as required by Rule 8A.11 of the Listing Rules.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to section headed “Risk Factors—Risks Relating to Our Corporate Structure.”

Save for the weighted voting rights and conversion rights attached to Class B ordinary shares, the rights attached to Class A ordinary shares and Class B ordinary shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A ordinary shares and Class B ordinary shares, please see the section headed “Summary of the Constitution of Our Company and Cayman Companies Act—2. Articles of Association” in Appendix III for further details.

Undertakings by WVR Beneficiaries

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he/she will comply with the relevant requirements as set out in Rule 8A.43 of the Listing Rules, which is intended to be for the benefit of and enforceable by our Shareholders. Each of Mr. He and Mr. Heng Xia will, before Listing, make an undertaking to the Company (the “**Rule 8A.43 Undertaking**”), that for so long as he is a WVR Beneficiary: (1) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that that limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Listing Rules from time to time in force, to the extent not waived by the Stock Exchange (the “**Requirements**”); and (2) he shall use his best endeavors to procure that the Company complies with all applicable Requirements, to the extent not waived by the Stock Exchange. For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules.

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In addition, as further discussed in the section headed “Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company”, the Company had applied for a waiver from strict compliance with Unmet Articles Requirements upon Listing such that the Company will seek shareholders’ approval to incorporate such Unmet Articles Requirements into the Memorandum and Articles in an extraordinary general meeting to be convened within 6 months of Listing (“**Articles Amendment Waiver**”). In light of the Articles Amendment Waiver and the Undertaking for Interim Compliance, each of the WVR Beneficiaries further undertake to the Company that, before the proposed amendments to incorporate requirements under Rules 8A.18 and 8A.19 of the Listing Rules in the Articles of Association are approved by the Shareholders:

- (1) in the event that a divorce is being contemplated such that any Class B ordinary share will be transferred to an entity which is not wholly owned and not wholly controlled by such WVR Beneficiary, the relevant WVR Beneficiary will procure that such Class B ordinary share be converted into Class A ordinary share prior to such transfer; and
- (2) the WVR Beneficiaries will not create any encumbrance over any Class B ordinary share in favour of a Founder Affiliate. For the purpose of this undertaking, “**Founder Affiliate**” means any entity that is ultimately controlled by any of the founders of the Company (being Mr. Xiaopeng He, Mr. Heng Xia, and Mr. Tao He) and “**control**” shall mean the ownership, directly or indirectly, of shares possessing more than fifty per cent (50%) of the voting power of the corporation, partnership or other entity (other than, in the case of a corporation, securities having such power only by reason of the happening of a contingency), or having the power to control the management or elect a majority of members to the board of directors or equivalent decision-making body of such corporation, partnership or other entity

(the “**Interim Undertaking**”, and together with the “**Rule 8A.43 Undertaking**”, the “**Undertakings**”).

Each WVR Beneficiary acknowledged and agreed that our shareholders rely on the Undertakings in acquiring and holding their shares. Each WVR Beneficiary acknowledged and agreed that the Undertakings are intended to confer a benefit on the Company and all existing and future shareholders and may be enforced by the Company and/or any such shareholder against the WVR Beneficiary.

The Undertakings shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertakings shall not affect any rights, remedies, obligations or liabilities of the Company and/or any shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertakings which existed at or before the date of termination.

The Undertakings shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the Undertakings shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

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Please also refer to the section headed “Waivers from strict compliance with the Listing Rules—Waiver with respect to Articles of Association of the Company” for details of the undertakings to be provided by each WVR Beneficiary as part of the conditions of the Articles Amendment Waiver.

SHAREHOLDING BY OUR MAJOR SHAREHOLDERS

The table below sets forth the number of Shares held, voting rights and beneficial interests of the Company’s major shareholders and other shareholders upon Listing, assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Overallotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares.

Shareholders	Class of Shares	Number of Shares	Voting Rights	Beneficial Interest
WVR Beneficiaries	Class A ordinary shares	12,580	0.0%	0.0%
	Class B ordinary shares	409,846,136	76.2%	24.2%
Other Directors and				
officers*	Class A ordinary shares	68,083,364	1.3%	4.0%
XPeng Fortune	Class A ordinary shares	13,550,190	0.3%	0.8%
Taobao China	Class A ordinary shares	191,918,464	3.6%	11.3%
IDG Entity	Class A ordinary shares	77,350,175	1.4%	4.6%
5Y Capital Entities	Class A ordinary shares	51,876,700	1.0%	3.1%
GGV Entities	Class A ordinary shares	45,753,706	0.9%	2.7%
Other Shareholders	Class A ordinary shares	833,276,331	15.3%	49.3%

* Including the shareholding of Mr. Hongdi Brian Gu (顧宏地) and Mr. Tao He, both of whom will resign from directorship with effect from Listing.

EQUITY INCENTIVE SCHEME

See “Statutory and General Information— D. 2019 Equity Incentive Plan” in Appendix IV for details about our 2019 Equity Incentive Plan.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, the Company may by ordinary resolution (i) increase its share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as it in general meeting may determine; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum of Association, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and (iv) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so

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cancelled. In addition, the Company may by special resolution reduce its share capital and any capital redemption reserve in any manner permitted by the Cayman Companies Act. See the section headed “Summary of the Constitution of Our Company and Cayman Companies Act—2. Articles of Association—2.1 Shares—(c) Alteration of capital” in Appendix III for further details.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in “Appendix I – Accountant’s Report.” The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors,” “Forward-Looking Statements” and elsewhere in this prospectus.

The Stock Exchange has allowed us to prepare the Accountant’s Report set out in Appendix I in conformity with U.S. GAAP, provided that a reconciliation of such financial information in accordance with IFRS, is included in this prospectus. See “Summary” and Note 33 to the Accountant’s Report in Appendix I to this prospectus. In addition, the Stock Exchange has allowed us to prepare our accounts in accordance with U.S. GAAP after listing for the purposes of our financial reporting required under the Listing Rules, subject to the condition that our annual accounts should include a reconciliation of our financial statements in accordance with IFRS in the form and substance adopted in Appendix I to this prospectus. In addition, the Stock Exchange has imposed the condition that we will be required to revert to HKFRS or IFRS should we no longer maintain a listing on the NYSE.

OVERVIEW

Since the establishment of our company, we have taken an innovative technology path to our envisioned future of mobility. We intend to empower consumers with our differentiated Smart EVs that can offer mobility experiences that are disruptive to the industry. Within only six years since our inception in 2015, we have become one of the leading Smart EV companies in China, with leading software, data and hardware technology at our core and bringing innovation in autonomous driving, smart connectivity and core vehicle systems. As of the Latest Practicable Date, we are the only automotive company based in China that develops full-stack autonomous driving software in house and has deployed such software on mass-produced vehicles according to IHS Markit. According to the same source, our latest proprietary autonomous driving system, XPILOT 3.0, represents one of the most advanced autonomous driving technologies adopted on commercially available vehicles.

Our Smart EVs appeal to the large growing base of technology-savvy middle-class consumers in China. We primarily target the mid- to high-end segment in China’s passenger vehicle market, with prices ranging from RMB150,000 to RMB300,000. According to IHS Markit, we were one of the top five best-selling brands in the mid- to high-end EV segment in China based on sales volume in 2020. Consumers choose our products primarily because of attractive design, interactive smart mobility experience, long driving range and advanced technology.

We started delivery of the G3 in December 2018, and had delivered 30,102 units of the G3 to customers as of March 31, 2021. We started delivery of the P7 in May 2020, and had delivered 23,036 units of the P7 to customers as of March 31, 2021. In April 2021, we have unveiled the P5, our third Smart EV, which is expected to be the world’s first mass-produced Smart EV equipped with LIDAR upon delivery, according to IHS Markit. We plan to launch our fourth Smart EV, an SUV, in 2022, featuring advanced autonomous driving system and enhanced core vehicle systems.

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We seek to continuously expand our customer reach by extending our online and physical sales and service network. We have an omni-channel sales model, which combines a data-driven online marketing strategy with a physical sales and service network, and we strive to ensure consistent brand image, customer experience and price across all sales channels. As of March 31, 2021, our physical sales and service network consisted of a total of 178 stores and 61 service centers, covering 70 cities in China. A substantial majority of our stores are strategically located in shopping malls, as we believe such locations enable us to raise our brand awareness and attract customer traffic in a cost-efficient manner. In addition, we actively engage in online marketing through a variety of channels to further enhance our brand recognition and acquire customers.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We take a lean production approach, with the aim of continuous optimization in operating efficiency and product quality. We started production of the P7 at our plant in Zhaoqing, Guangdong province, in May 2020. We produce our G3 through a contract manufacturing collaboration with Haima, at its plant in Zhengzhou, Henan province. Such arrangement has allowed us to retain effective control of key manufacturing and procurement processes and product quality with minimal required capital outlay at the initial stage of our development. The Zhaoqing plant and the Haima plant have annual production capacities of up to 100,000 units and 150,000 units, respectively. To further expand our production capacity, we are planning to construct new Smart EV manufacturing bases in Guangzhou and Wuhan, with an expected annual production capacity of up to 100,000 units each.

We achieved significant growth and strong operating results during the Track Record Period. Our total revenues grew rapidly from RMB9.7 million in 2018 to RMB2,321.2 million in 2019, and further to RMB5,844.3 million in 2020. For the three months ended March 31, 2021, our total revenues were RMB2,950.9 million (US\$450.4 million), representing a significant increase compared to RMB412.1 million for the three months ended March 31, 2020. Our Smart EV deliveries increased from 29 units in 2018 to 12,728 units in 2019, and further to 27,041 units in 2020. For the three months ended March 31, 2021, our Smart EV deliveries were 13,340 units, representing a significant increase compared to 2,271 units for the three months ended March 31, 2020. Along with strong revenue growth, our gross profit margin increased from (24.3%) in 2018 to (24.0%) in 2019, further to 4.6% in 2020, and further to 11.2% for the three months ended March 31, 2021.

BUSINESS MODEL

We offer an innovative mobility experience through our Smart EVs, software and services. Vehicle sales is the primary source of our revenues. We have delivered two Smart EV models, and we plan to continuously introduce new models to expand our product portfolio and customer base.

We aim to diversify our revenue streams and monetization opportunities by offering a variety of software and services, such as advanced autonomous driving software and content monetization. Such software and services allow us to achieve full-lifecycle customer engagement, maximize customer lifetime value, drive word-of-mouth referrals and improve margins. We have already generated revenues from service offerings, including, among others, maintenance service, super charging service, finance lease and ride-hailing service. In addition, since the release of XPILOT 3.0 in January 2021, we have also generated revenues from our advanced autonomous driving software. Furthermore, we have built a smart connectivity

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ecosystem through our in-car app store, which allows our customers to conveniently access services and content offered by our business partners.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors Affecting Our Results of Operations

The demand for our Smart EVs is affected by the following general factors:

- China's macroeconomic conditions and the growth of China's overall passenger vehicle market, especially the mid- to high-end segment;
- penetration rate of EVs in China's passenger vehicle market, which is in turn affected by, among other things, (i) functionality and performance of EVs, (ii) total cost of ownership of EVs and (iii) availability of charging network;
- development, and customer acceptance and demand, of smart technology functions, such as autonomous driving and smart connectivity; and
- government policies and regulations for EVs and smart technology functions, such as subsidies for EV purchases and government grants for EV manufacturers.

Changes in any of these general industry conditions could affect our business and result of operations.

Specific Factors Affecting Our Results of Operations

Besides the general factors affecting China's Smart EV market, our business and results of operations are also affected by company specific factors, including the following major factors:

Our ability to attract new customers and grow our customer base

We design our Smart EVs to satisfy the needs and preferences of China's technology-savvy middle-class consumers. We strive to enhance brand recognition among our target customers by consistently delivering upgradable Smart EVs as well as superior customer experiences. Our ability to attract new customers also depends on the scale and efficiency of our sales network, which includes direct stores, franchised stores and various marketing channels. We seek to attract new customers cost-efficiently by, among other things, locating a substantial majority of our stores in shopping malls, adopting an asset-light franchise model, and engaging in various marketing activities. Enhanced customer satisfaction will help to drive word-of-mouth referrals, which will reduce our customer acquisition costs. In addition, we intend to strategically expand and strengthen our international market presence, initially primarily focusing on overseas markets with higher Smart EV penetration, such as certain European markets. As we continue to develop and launch new Smart EV models, invest in our brand and expand our sales and service network, we expect to attract more customers and grow our revenues.

Competitiveness and continued expansion of our Smart EV portfolio

Our ability to periodically introduce new Smart EV models will be an important contributor to our future growth. We have delivered two Smart EVs, the G3 and the P7, and unveiled our third Smart EV

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model, the P5, and we plan to continuously introduce new models to expand our product portfolio and customer base. We expect our revenue growth to be driven in part by the continued expansion of our Smart EV portfolio.

We differentiate our Smart EVs based on a number of core attributes, which are attractive design, high performance, smart technology functions and proven safety and reliability. Customer acceptance of our Smart EVs also depends on our ability to maintain competitive pricing. We primarily target our Smart EVs to the mid- to high-end segment in China's passenger vehicle market. With autonomous driving, smart connectivity and high performance, our Smart EVs offer compelling value proposition in the mid- to high-end segment.

Investment in technology and talents

We develop most of our key technologies in-house to achieve a rapid pace of innovation. Such technologies encompass both software, including software for XPILOT and Xmart OS, and core vehicle systems, including powertrain and E/E architecture. Accordingly, we dedicate significant resources towards research and development, and our research and development staff accounted for 39.8% of our total employees as of March 31, 2021. We will continue to recruit and retain talented software developers and engineers to grow our strength in the key technologies. We expect our strategic focus on innovations will further differentiate our Smart EVs as well as software and service offerings, which will in turn enhance our competitiveness.

Software and content monetization

We aim to diversify our revenue streams and monetization opportunities by offering advanced software systems. We rolled out XPILOT 3.0 through an OTA firmware update in January 2021. We plan to further monetize from our software and content offerings in the future. The success of our software monetization will depend on our abilities to develop advanced software and attractive premium features, and seamlessly integrate it with our Smart EVs' hardware.

Improvement of operating efficiency

We aim to improve operating efficiency in every aspect of our business, such as product development, supply chain, manufacturing, sales and marketing, as well as service offerings. We strategically established two Smart EV platforms that are scalable for both SUVs and sedans with different wheelbases within a wide range, which allows us to develop new models in a fast and cost-efficient manner. Our supply chain affects our cost of sales and gross margin, and we expect to reduce bill-of-material cost of certain components and parts on a per-unit basis, as we ramp up production volume and achieve economies of scale. We also focus on the efficiency in the manufacturing process, such as our operations at the Zhaoqing plant. As we expand our product portfolio and grow our revenues, we expect our expenses as a percentage of our revenues to decrease.

IMPACT OF COVID-19 ON OUR OPERATIONS

During January 2020, COVID-19, a strain of coronavirus, has surfaced. Since then, the COVID-19 pandemic has caused a significant impact on the Chinese and global economy. In early 2020, the PRC

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government placed significant restrictions on travel within China and closed certain businesses, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China. While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19 outbreak in China. A substantial number of our offices and stores, as well as our manufacturing facilities, were closed for certain periods in the first quarter of 2020. As a result, our Smart EV deliveries decreased from 3,218 units in the fourth quarter of 2019 to 2,271 units in the first quarter of 2020. In particular, we delivered 1,055, 161 and 1,055 units of Smart EVs in January, February and March 2020, respectively, which were lower than our expectation before the COVID-19 outbreak. The sharp decrease in the number of deliveries in February 2020 was mainly due to the significant impact from COVID-19 outbreak in China and seasonal impact from the Chinese New Year holiday. Furthermore, the COVID-19 pandemic has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 outbreak in the beginning of 2020. By mid-April 2020, these suppliers had resumed their normal delivery of components. At this point, we cannot accurately predict what effects the COVID-19 pandemic would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities. See also “Risk Factors – Risks Relating to Our Business and Industry – The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.”

Despite the temporary disruption caused by the COVID-19 pandemic, we were able to achieve significant growth in 2020, with an increase by 151.8% in revenues from 2019 to 2020.

MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

The following table sets forth a breakdown of our revenues, each expressed in the absolute amount and as a percentage of our total revenues, for the periods indicated:

		Year ended December 31,						Three months ended March 31,					
		2018		2019		2020		2020		2021			
		RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
(unaudited)													
(in thousands, except for percentages)													
Revenues													
Vehicle sales . . .	4,153	42.8	2,171,231	93.5	5,546,754	94.9	372,151	90.3	2,810,347	428,943	95.2		
Services and													
others	5,553	57.2	149,988	6.5	297,567	5.1	39,918	9.7	140,579	21,457	4.8		
Total	9,706	100.0	2,321,219	100.0	5,844,321	100.0	412,069	100.0	2,950,926	450,400	100.0		

We began generating revenues from vehicle sales in the fourth quarter of 2018, when we began delivering our Smart EVs. We generate revenues from (i) vehicle sales, which represent sales of our Smart EVs, and (ii) services and others, primarily including maintenance service, super charging service, finance lease and ride-hailing service.

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The overall contract price under a sales contract is allocated to each distinct performance obligation based on the relative estimated standalone selling price. For example, the revenues for sales of the Smart EV and home charger is recognized when the control of the Smart EV is transferred to the customer and the home charger is installed at customer's designated location.

We plan to further monetize through software offerings. For example, we rolled out XPILOT 3.0 through an OTA firmware update in January 2021. A customer can purchase XPILOT 3.0 by either making a lump sum payment or making annual payments for a certain period. Revenues from XPILOT 3.0 will be recognized under vehicle sales when the functionality is delivered to the customer.

Cost of sales

The following table sets forth a breakdown of our cost of sales, expressed as an absolute amount and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,						Three months ended March 31,					
	2018		2019		2020		2020		2021			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%	
	(unaudited)											
	(in thousands, except for percentages)											
Cost of sales												
Vehicle sales	8,220	68.1	2,733,531	94.9	5,350,479	95.9	391,736	90.7	2,525,808	385,514	96.4	
Services and												
others	3,847	31.9	145,829	5.1	227,853	4.1	40,206	9.3	95,277	14,542	3.6	
Total	12,067	100.0	2,879,360	100.0	5,578,332	100.0	431,942	100.0	2,621,085	400,056	100.0	

Cost of vehicle sales primarily includes direct parts, material, processing fee, labor cost and manufacturing overhead, including depreciation of assets associated with production, and reserves for estimated warranty expenses. Cost of services and others primarily includes cost of direct part, material, depreciation of associated assets used for providing the services and installment costs.

Research and development expenses

Our research and development expenses primarily consist of (i) employee compensation, representing salaries, benefits, share-based compensation and bonuses for our research and development personnel, (ii) design and development expenses, which primarily include fees payable to third-party suppliers for designing molds, (iii) materials and supplies expenses in relation to testing materials, and (iv) certain other expenses. All expenses associated with research and development are expensed as incurred.

Our research and development expenses are mainly driven by the number of our research and development personnel, as well as the stage and scale of our vehicle development and the development of our key software and hardware technologies. We dedicate significant resources towards research and development, and our research and development staff accounted for 39.8% of our total employees as of March 31, 2021.

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Selling, general and administrative expenses

The following table sets forth a breakdown of our selling, general and administrative expenses, expressed as an absolute amount and as a percentage of total selling, general and administrative expenses, for the periods indicated:

	Year ended December 31,						Three months ended March 31,				
	2018		2019		2020		2020		2021		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%
	(unaudited)										
	(in thousands, except for percentages)										
Selling, general and administrative expenses											
Selling expenses	317,109	49.4	668,602	57.4	1,737,765	59.5	183,069	56.9	569,318	86,895	79.0
General and administrative expenses	325,432	50.6	495,967	42.6	1,182,884	40.5	138,756	43.1	151,503	23,124	21.0
Total	642,541	100.0	1,164,569	100.0	2,920,649	100.0	321,825	100.0	720,821	110,019	100.0

Our selling expenses primarily consist of (i) employee compensation, including salaries, benefits, share-based compensation and bonuses for our sales and marketing staff, (ii) marketing, promotional and advertising expenses, (iii) operating and lease expenses for direct stores, (iv) commissions to franchised stores, and (v) certain other expenses. Our general and administrative expenses primarily consist of (i) employee compensation, including salaries, benefits, share-based compensation and bonuses for our general corporate staff, (ii) professional service fees, and (iii) certain other expenses.

Our selling, general and administrative expenses are mainly driven by the number of our sales, marketing, general corporate personnel, marketing and promotion activities and the expansion of our sales and service network.

Other income

Our other income primarily consists of government subsidies that are not contingent upon our further actions or performance.

Interest income

Our interest income primarily consists of interest earned on cash deposits in banks and short-term investments.

Interest expenses

Our interest expenses primarily consist of interest expenses with respect to our bank borrowings.

Fair value gain (loss) on derivative assets/liabilities

Fair value gain or loss on derivative liabilities consists of net gain or loss from the change in the fair value of derivative liabilities, which are primarily related to the redemption rights of our preferred shares.

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Other non-operating (loss) income, net

Other non-operating loss or income primarily consist of exchange losses or gains we incur based on movements between the U.S. dollar and the Renminbi.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands as an exempted company with limited liability under Cayman Companies Act and accordingly are not subject to tax on either income or capital gain in the Cayman Islands. In addition, no Cayman Islands withholding tax is imposed upon any payments of dividends by our subsidiaries to us.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiaries are subject to 16.5% Hong Kong profit tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

PRC

The PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008, applies a uniform enterprise income tax rate of 25% to both FIEs and domestic enterprises. Certified HNTes are entitled to a favorable statutory tax rate of 15%, subject to renewal every three years. During the three-year period, an HNTE must conduct a self-review each year to ensure it meets the HNTE criteria and is eligible for the 15% preferential tax rate for the given year. If an HNTE fails to meet the criteria for being an HNTE in any year, the enterprise cannot enjoy the 15% preferential tax rate in the given year, and must instead use the uniform enterprise income tax rate of 25%.

Guangzhou Xiaopeng Motors Technology Co., Ltd., one of our subsidiaries, qualified as an HNTE in December 2019, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2019 through 2021.

Zhaoqing Xiaopeng Automobile Co., Ltd., one of our subsidiaries, qualified as an HNTE in December 2020, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2020 through 2022.

Under the EIT Law, dividends generated after January 1, 2008 and payable by an FIE in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with the PRC. In accordance with the accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if we have sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely. We did not record any dividend withholding tax, as we have no retained earnings for any of the years presented.

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The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a “resident enterprise” and consequently be subject to the PRC income tax at the rate of 25% for its global income. The EIT Law defines the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties and others of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, we do not believe that it is likely that our operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a resident enterprise under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a uniform enterprise income tax rate of 25%.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 50% of its research and development expenses in determining its tax assessable profits for the year.

The additional tax deduction amount of the research and development 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

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

See Note 2 to the Accountant’s Report in Appendix I to this prospectus for a description of other significant accounting policies.

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Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred upon delivery to customers. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if our performance:

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

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

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate overall contract price to each distinct performance obligation based on its relative standalone selling price in accordance with ASC 606. We generally determine standalone-selling prices for each individual distinct performance obligation identified based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information, the data utilized, and considering our pricing policies and practices in making pricing decisions. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may affect the revenue recognition. The discount provided in the contract are allocated by us to all performance obligations as conditions under ASC 606-10-32-37 are not met.

Vehicle Sales

We generate revenue from sales of our Smart EVs, together with a number of embedded products and services through a contract. We identify the customers who purchase the Smart EVs as our customers. There are multiple distinct performance obligations explicitly stated in a series of contracts including sales of vehicle, free charging within four years or 100,000 kilometers, extended lifetime warranty, option between home charger and charging card, vehicle internet connection services, services of lifetime free charging in XPeng-branded super charging stations and lifetime warranty of battery which are accounted for in accordance with ASC 606. The standard warranty provided by us is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when we transfer the control of vehicle to a customer.

Car buyers in the PRC are entitled to government subsidies when they purchase EVs. For efficiency purpose and better customer service, we or Zhengzhou Haima Automobile Co., Ltd. applies for and collects such government subsidies on behalf of the customers. Accordingly, customers only pay the amount after deducting government subsidies. We determined that the government subsidies should be considered as part

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of the transaction price because the subsidy is granted to the buyer of the EVs and the buyer remains liable for such amount in the event the subsidies were not received by us due to the buyer's fault such as refusal or delay of providing application information.

The overall contract price is allocated to each distinct performance obligation based on the relative estimated standalone selling price. The revenue for sales of the Smart EVs and home chargers is recognized at a point in time when the control of the Smart EV is transferred to the customer and the home charger is installed at customer's designated location. For vehicle internet connection service, we recognize the revenue using a straight-line method. For the extended lifetime warranty and lifetime warranty of battery, given limited operating history and lack of historical data, we decide to recognize the revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available. For the free charging within four years or 100,000 kilometers and charging card to be consumed to exchange for charging services, we consider that a measure of progress based on usage (rather than a time-based method) best reflects the performance as it's typically a promise to deliver the underlying service rather than a promise to stand ready. For the services of free charging in XPeng-branded super charging station, we recognized the revenue over time based on straight-line method during the expected useful life of the vehicle.

Initial refundable deposits for intention orders and non-refundable deposits for vehicle reservations received from customers prior to vehicle purchase agreements signed are recognized as refundable deposits from customers (accruals and other liabilities) and advances from customers (accruals and other liabilities). When vehicle purchase agreements are signed, the consideration for the vehicle and all embedded services must be paid in advance, which means the payments received are prior to the transfer of goods or services by us, we record a contract liability (deferred revenue) for the allocated amount regarding to those unperformed obligations. At the same time, advances from customers are classified as contract liability (deferred revenue) as part of the consideration.

Other services

We provide variable other services to customers, including services embedded in a sales contract, maintenance service, super charging service, vehicle leasing service and ride-hailing service.

Services embedded in a sales contract may include free charging within four years or 100,000 kilometers, extended lifetime warranty, option between home charger and charging card, vehicle internet connection services, lifetime warranty of battery and services of free charging services in XPeng-branded charging station. Other services also include maintenance service and super charging service. These services are recognized under ASC 606.

Revenue from vehicle leasing service to customers under operating lease and finance lease are recognized under ASC 842.

We provide ride-hailing services with smart commuting solutions to customers by using our self-owned G3s and hiring and training drivers managed by third-party agents via service agreement. We believe we act as a principle in the ride-hailing service as we control a specified good or service before it is

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transferred to the customers. The revenue for ride-hailing service is recognized overtime in a period when the ride-hailing service is consumed under ASC 606.

Practical expedients and exemptions

We follow the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes that lifetime roadside assistance, traffic ticket inquiry service, courtesy car service, on-site troubleshooting and parts replacement service, are not performance obligations considering these services are value-added services to enhance customer experience rather than critical items for vehicle driving and forecasted that usage of these five services will be very limited. We also perform an estimation on the stand-alone fair value of each promise applying a cost plus margin approach and concludes that the standalone fair value of foresaid services are insignificant individually and in aggregate, representing less than 1% of vehicle gross selling price and aggregate fair value of each individual promise.

Considering the qualitative assessment and the result of the quantitative estimate, we concluded not to assess whether promises are performance obligation if they are immaterial in the context of the contract and the relative stand-alone fair value individually and in aggregate is less than 1% of the contract price, namely the lifetime roadside assistance, traffic ticket inquiry service, courtesy car service, on-site troubleshooting and parts replacement service. Related costs are then accrued instead.

Customer Upgrade Program

In the third quarter of 2019, due to the upgrade of the G3 from 2019 version (the “G3 2019”) to 2020 version (the “G3 2020”), we voluntarily offered all owners of the G3 2019 model the options to either receive loyalty points, valid for five years since the grant date, which can be redeemed for goods or services, or obtain an enhanced trade-in right, which is valid for 120 days, contingent on a future purchase starting from the 34th month of the original purchase date but only if they purchase a new vehicle from us. The owners of the G3 2019 model had to choose one of the two options within 30 days after receiving the notice. Anyone who did not make the choice before the date was deemed abandoning the options. At the time the offers were made, we still had unfulfilled performance obligations for services to the owners of the G3 2019 model associated with their original purchase. We considered this offering is to improve the satisfaction of the owners of the G3 2019 model but was not the result of any defects or resolving past claims regarding the G3 2019 model.

As both options provide a material right (a significant discount on future goods or services) for no consideration to existing customers with unfulfilled performance obligations, we consider this arrangement to be a modification of the existing contracts with customers. Further, as the customers did not pay for the additional rights, the contract modification is accounted for as the termination of the original contract and commencement of a new contract, which will be accounted for prospectively. The material right from the loyalty points or the trade-in right shall be considered in the reallocation of the remaining consideration from the original contracts among the promised goods or services not yet transferred at the date of the contract modification. This reallocation is based on the relative stand-alone selling prices of these various goods and services.

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For the material right from loyalty points, we estimated the probability of points redemption when determining the stand-alone selling price. Since the fact that most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to customers, we believe it is reasonable to assume all points will be redeemed and no forfeiture is estimated currently. The amount allocated to the points as a separate performance obligation is recorded as a contract liability (deferred revenue) and revenue will be recognized when future goods or services are transferred. We will continue to monitor forfeiture rate data and will apply and update the estimated forfeiture rate at each reporting period.

According to the terms of the trade-in program, owners of the G3 2019 who elected the trade-in right have the option to trade in their G3 2019 at a fixed predetermined percentage of its original G3 2019 purchase price (the “**guaranteed trade-in value**”) starting from the 34th month of the original purchase date but only if they purchase a new vehicle from us. Such trade-in right is valid for 120 days. That is, if the owner of a G3 2019 does not purchase a new vehicle within that 120-day period, the trade-in right expires. The guaranteed trade-in value will be deducted from the retail selling price of the new vehicle purchase. The customer cannot exercise the trade-in right on a stand-alone basis solely as a function of their original purchase of the G3 2019 and this program, and therefore, we do not believe the substance of the program is a repurchase feature that provides the customer with a unilateral right of return. Rather, the trade-in right and purchase of a new vehicle are linked as part of a single transaction to provide a loyalty discount to existing customers. We believe the guaranteed trade-in value will be greater than the expected market value of the G3 2019 at the time the trade-in rights become exercisable, and therefore, the excess value is essentially a sales discount on the new vehicle purchase. For the trade-in right, we estimated the potential forfeiture rate based on the market expectation of the possibility of the future buying and applied the forfeiture rate when determining the stand-alone selling price at the date of the contract modification. The amount allocated to the trade-in right as a separate performance obligation is recorded as a contract liability (deferred revenue) and revenue will be recognized when the trade-in right is exercised and a new vehicle is purchased. We will continue to reassess the reasonableness of the forfeiture rate applied in the subsequent reporting periods.

Intangible assets, net

Intangible assets consist of manufacturing license, license plate, software and license of maintenance and overhauls. Intangible assets with finite lives, including software and license of maintenance and overhaul, 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:

	<u>Estimated useful lives</u>
Software	2 to 10 years
License of maintenance and overhauls	26 months

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We estimate the useful life of the software to be two to ten years based on the contract terms, expected technical obsolescence and innovations and industry experience of such intangible assets. We estimate the useful life of the license of maintenance and overhauls to be 26 months based on the contract terms.

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

Intangible assets that have indefinite useful life are manufacturing license and license plate as of December 31, 2020 and March 31, 2021. No useful life was determined in the contract terms when we acquired the manufacturing license and license plate. We expect that the manufacturing license and license plate are unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. Therefore, we consider the useful life of such intangible assets to be indefinite.

We evaluate indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support indefinite useful lives. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with ASC 350. We first perform a qualitative assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. If after performing the qualitative assessment, we determine that it is more likely than not that the indefinite-lived intangible asset is impaired, we calculate the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, we recognize an impairment loss in an amount equal to that excess. In consideration of the growing electronic vehicle industry in China, our improving financial performance, the stable macroeconomic conditions in China and our future manufacturing plans, we determined that it is not likely that the license plate was impaired as of December 31, 2018, 2019 and 2020 and March 31, 2021 and not likely that the manufacturing license which was newly obtained in May 2020 was impaired as of December 31, 2020 and March 31, 2021. As such, no impairment of indefinite-lived intangible assets was recognized for each of the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021.

Share-Based Compensation

We grant RSUs, restricted shares and share options, or collectively, Share-based Awards, to eligible employees and accounts for share-based compensation in accordance with ASC 718, Compensation—Stock Compensation. Share-based awards are measured at the grant date fair value of the awards and recognized as expenses using graded vesting method, net of estimated forfeitures, if any, over the requisite service period. For awards with performance conditions, we would recognize compensation cost if and when we conclude that it is probable that the performance condition will be achieved.

The fair value of the RSUs and restricted shares granted prior to the completion of the initial public offering in the United States were assessed using the income approach/discounted cash flow method, with a discount for lack of marketability given that the shares underlying the awards were not publicly traded at the time of grant. This assessment requires complex and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating

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history and prospects at the time the grants were made. The fair value of share options granted prior to the completion of the initial public offering in the United States is estimated on the grant or offering date using the Binomial option-pricing model. The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. The fair value of the RSUs granted subsequent to the completion of the initial public offering in the United States is estimated based on the fair market value of the underlying ordinary shares of us on the date of grant.

Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive Share-based Awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us for accounting purposes.

Share options granted to employees

Since 2015, Chengxing Zhidong has granted options to certain directors, executive officers and employees. The options granted are exercisable only upon the completion of an initial public offering or change in control.

Share options granted to employees includes both service condition and performance condition. Employees are required to provide continued service through the satisfaction of the occurrence of change of control or an initial public offering, or collectively, the Liquidity Event, to retain the award since no share option would be vested prior to the occurrence of the Liquidity Event even though the service condition has been satisfied. Given the vesting of the share options granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense to be recognized until the date of consummation of Liquidity Event.

The fair value of each share options granted was estimated on the date of each grant using the Binomial option-pricing model with the assumptions (or ranges thereof) in the following table:

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				<i>(unaudited)</i>	
Expected term (years)	7	7	7	7	N/A
Exercise price (RMB)	0.0004	0.0004	0.0004	0.0004	N/A
Fair value of the ordinary shares on					
the date of option grant (RMB) . . .	2.51 ~ 8.08	8.36 ~ 8.60	8.36 ~ 8.53	8.36 ~ 8.53	N/A
Risk-free interest rate	3.03%~3.68%	2.66%~3.31%	3.10%~3.31%	3.10%~3.31%	N/A
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	N/A
Expected volatility	34.28%~34.39%	33.32%~33.56%	33.35%~33.56%	33.35%~33.56%	N/A

Valuations of our ordinary shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants' Practice Aid, Valuation of Privately-Held Company Equity Securities Issued as Compensation, and with the assistance of an independent valuation firm from

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time to time. The assumptions we use in the valuation model are based on future expectations combined with management judgment, with inputs of numerous objective and subjective factors, to determine the fair value of our ordinary shares, including the following factors:

- our operating and financial performance;
- current business conditions and projections;
- our stage of development;
- the prices, rights, preferences and privileges of our convertible preferred shares relative to our ordinary shares;
- the likelihood of occurrence of liquidity event and redemption event;
- any adjustment necessary to recognize a lack of marketability for our ordinary shares; and
- the market performance of industry peers.

In order to determine the fair value of our ordinary shares underlying each share-based award grant, we first determined our business entity value and then allocated the business entity value to each element of our capital structure (convertible redeemable preferred shares and ordinary shares) using an option pricing method. In our case, three scenarios were assumed, namely: (i) the liquidation scenario, in which the option pricing method was adopted to allocate the value between convertible preferred shares and ordinary shares, and (ii) the redemption scenario, in which the option pricing method was adopted to allocate the value between convertible preferred shares and ordinary shares, and (iii) the mandatory conversion scenario, in which equity value was allocated to convertible preferred shares and ordinary shares on an as-if converted basis. Increasing probability was assigned to the mandatory conversion scenario during 2018 and 2019 in light of preparations for our initial public offering in the United States in August 2020.

In determining the fair value of our business entity value, we applied the income approach/discounted cash flow, analysis based on our projected cash flow using management's best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

Assumptions and estimates are not necessary to determine the fair value of our ordinary shares since the listing of our ADSs on the NYSE.

Restricted share units granted to employees

Prior to the completion of the initial public offering in the United States, RSUs granted to employees includes both service condition and performance condition. Employees are required to provide continued service through the satisfaction of the occurrence of Liquidity Event to retain the award since no RSU would be vested prior to the occurrence of the Liquidity Event even though the service condition has been satisfied. The Group also granted RSUs in 2020 with only performance condition and the RSUs would be vested upon the occurrence of Liquidity Event. Given the vesting of these two types of RSUs granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense to be recognized until the date of consummation of Liquidity Event. In July 2020, RSUs vested immediately upon grant date were granted to employees and the share-based compensation expense were recognized immediately on the grant date. Subsequent to the completion of the initial public offering in the United

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States, we granted RSUs with only service condition to employees and the share-based compensation expenses were recognized over the vesting period using straight-line method. After the completion of the initial public offering in the United States, the fair value of restricted share units is determined with reference to the price of our ADSs on the NYSE.

Restricted shares granted to two co-founders

For the years ended December 31, 2018 and 2019, two co-founders have agreed that their founders' shares would be subject to requisite service conditions that shall vest in a certain period. The restricted shares require future requisite service and it does not contain a market or performance condition that must be satisfied before the grant date. Accordingly, no share-based compensation expenses would be recognized prior to the grant date but would be recognized based on the fair value of the shares at the grant date over the requisite service period.

A change in any of the terms or conditions of restricted shares granted to two co-founders is accounted for as a modification of the awards. The cumulative amount of share-based compensation expenses that would be recognized is the original grant-date fair value of the award plus any incremental fair value resulting from the modification. We calculate incremental compensation expense 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 at the modification date. For vested restricted shares, we recognize incremental compensation cost in the period when the modification occurs. For restricted shares not being fully vested, we recognize the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original awards over the remaining requisite service period after modification.

As of December 31, 2019, all the restricted shares of two co-founders have been vested.

Fair Value of Derivative Liabilities

The Company has derivative liabilities that are measured at fair value. The derivative liabilities are used to account for the redemption right that met the definition of a derivative and are classified within Level III at the fair value hierarchy as the Company adopted the equity allocation model with unobservable inputs for which there little or no market data to determine the fair value. For purposes of determining the redemption right, the Company re-performed the equity allocation model for Series A, A1 and A2, B, B1 and B2, and C Preferred Shares in scenarios assuming the redemption feature is removed, the difference between the with embedded redemption features scenario and the without embedded redemption features scenario is considered to be value of the redemption features of the Series A, A1 and A2, B, B1 and B2, and C Preferred Shares.

In relation to the valuation of the derivative liabilities, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of Preferred Shares agreements; (ii) engaged independent valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed

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the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the Level III fair value measurements in the financial statements of our Group are properly prepared.

Details of the fair value measurement of derivative liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, are disclosed in Note 5 to the Accountant's Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

In relation to the valuation analysis performed by the independent valuer engaged by the Company on derivative liabilities, the Joint Sponsors have conducted certain due diligence. Such due diligence work included but were not limited to, (i) the review of relevant notes in the Accountant's Report as contained in Appendix I and relevant documents provided by the Company; (ii) discussions with the Company about the key basis and assumptions for the valuation of derivative liabilities and (iii) discussions with the Reporting Accountant to understand the work they performed in relation to the valuation of the derivative liabilities for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work performed by the Directors and the unqualified opinion on the historical financial information of the Group as a whole issued by the Reporting Accountant included in Appendix I to this prospectus, and the relevant due diligence performed as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to be unsatisfied with the valuation analysis performed by the valuer on the derivative liabilities.

Recent Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 3 to the consolidated financial statements of the Group shown in the Accountant's Report in Appendix I to this prospectus.

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RESULTS OF OPERATIONS

The following tables set forth a summary of our consolidated results of operations for December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively:

	Year ended December 31,						Three months ended March 31,				
	2018		2019		2020		2020		2021		
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	US\$	%
	(unaudited)										
(in thousands, except percentages)											
Revenues											
Vehicle sales	4,153	42.8	2,171,231	93.5	5,546,754	94.9	372,151	90.3	2,810,347	428,943	95.2
Services and others	5,553	57.2	149,988	6.5	297,567	5.1	39,918	9.7	140,579	21,457	4.8
Total revenues	9,706	100.0	2,321,219	100.0	5,844,321	100.0	412,069	100.0	2,950,926	450,400	100.0
Cost of sales											
Vehicle sales	(8,220)	(84.7)	(2,733,531)	(117.8)	(5,350,479)	(91.6)	(391,736)	(95.1)	(2,525,808)	(385,514)	(85.6)
Services and others	(3,847)	(39.6)	(145,829)	(6.3)	(227,853)	(3.9)	(40,206)	(9.8)	(95,277)	(14,542)	(3.2)
Total cost of sales . . .	(12,067)	(124.3)	(2,879,360)	(124.0)	(5,578,332)	(95.4)	(431,942)	(104.8)	(2,621,085)	(400,056)	(88.8)
Gross (loss) profit . . .	(2,361)	(24.3)	(558,141)	(24.0)	265,989	4.6	(19,873)	(4.8)	329,841	50,344	11.2
Operating expenses											
Research and development expenses	(1,051,219)	(10,830.6)	(2,070,158)	(89.2)	(1,725,906)	(29.5)	(310,782)	(75.4)	(535,114)	(81,674)	(18.1)
Selling, general and administrative expenses	(642,541)	(6,620.0)	(1,164,569)	(50.2)	(2,920,649)	(50.0)	(321,825)	(78.1)	(720,821)	(110,019)	(24.4)
Total operating expenses	(1,693,760)	(17,450.6)	(3,234,727)	(139.4)	(4,646,555)	(79.5)	(632,607)	(153.5)	(1,255,935)	(191,693)	(42.6)
Other income	1,487	15.3	12,294	0.5	86,830	1.5	3,197	0.8	22,161	3,382	0.8
Loss from operations											
Interest income	65,376	673.6	88,843	3.8	133,036	2.3	10,658	2.6	135,102	20,621	4.6
Interest expenses . . .	(5,822)	(60.0)	(32,017)	(1.4)	(22,451)	(0.4)	(8,278)	(2.0)	(1,142)	(174)	(0.0)
Fair value gain (loss) on derivative assets/ liabilities	254,361	2,620.7	27,679	1.2	1,362,025	23.3	(4,968)	(1.2)	(1,808)	(276)	(0.1)
Other non-operating (loss) income, net	(18,104)	(186.5)	4,397	0.2	90,364	1.5	2,110	0.5	(14,780)	(2,256)	(0.5)
Loss before income tax expenses	(1,398,823)	(14,411.9)	(3,691,672)	(159.0)	(2,730,762)	(46.7)	(649,761)	(157.7)	(786,561)	(120,052)	(26.7)
Income tax expenses	—	—	(1)	(0.0)	(1,223)	(0.0)	—	—	—	—	—
Net loss	(1,398,823)	(14,411.9)	(3,691,673)	(159.0)	(2,731,985)	(46.7)	(649,761)	(157.7)	(786,561)	(120,052)	(26.7)

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Three months ended March 31, 2021 compared to three months ended March 31, 2020

Revenues. Our revenues increased significantly from RMB412.1 million in the three months ended March 31, 2020 to RMB2,950.9 million (US\$450.4 million) in the three months ended March 31, 2021, which was primarily due to an increase in revenues from vehicle sales. We recorded revenues from vehicle sales of RMB2,810.3 million (US\$428.9 million) in the three months ended March 31, 2021, as compared to RMB372.2 million in the three months ended March 31, 2020. The increase was mainly due to the delivery of the P7, which started in May 2020. We delivered 2,271 units of the G3 to customers in the three months ended March 31, 2020, and a total of 13,340 units of the G3 and the P7 in the three months ended March 31, 2021. We recorded revenues from services and others of RMB140.6 million (US\$21.5 million) in the three months ended March 31, 2021, as compared to RMB39.9 million in the three months ended March 31, 2020. The increase was mainly attributable to higher sales of parts, accessories, and services in line with higher accumulated vehicle sales.

Cost of sales. Our cost of sales increased significantly from RMB431.9 million in the three months ended March 31, 2020 to RMB2,621.1 million (US\$400.1 million) in the three months ended March 31, 2021. Such increase was mainly due to the increase of vehicle deliveries. We recorded cost of sales from vehicle sales of RMB2,525.8 million (US\$385.5 million) in the three months ended March 31, 2021, as compared to RMB391.7 million in the three months ended March 31, 2020. We recorded cost of sales from services and others of RMB95.3 million (US\$14.5 million) in the three months ended March 31, 2021, as compared to RMB40.2 million in the three months ended March 31, 2020.

Gross (loss) profit. Our gross profit turned positive to RMB329.8 million (US\$50.3 million) in the three months ended March 31, 2021 from a gross loss of RMB19.9 million in the three months ended March 31, 2020, mainly due to expansion of product portfolio, decrease in material costs per unit and monetization of XPILOT 3.0. The decrease in the material costs per unit was primarily attributable to the declining battery price, and the decrease of unit price of raw materials and components as our procurement volume increases.

Research and development expenses. Our research and development expenses increased by 72.2% from RMB310.8 million in the three months ended March 31, 2020 to RMB535.1 million (US\$81.7 million) in the three months ended March 31, 2021, primarily due to (i) the increase in employee compensation as a result of expanded research and development staff, (ii) higher expenses relating to the P5 development, and (iii) share-based compensation expenses recognized in the first quarter of 2021.

Selling, general and administrative expenses. Our selling, general and administrative expenses significantly increased from RMB321.8 million in the three months ended March 31, 2020 to RMB720.8 million (US\$110.0 million) in the three months ended March 31, 2021, primarily due to (i) higher marketing, promotional and advertising expenses to support vehicle sales, (ii) the expansion of our sales network and associated personnel cost, lease expenses for sales and service stores, and commission for the franchised stores, and (iii) share-based compensation expenses recognized in the first quarter of 2021.

Other income. We recorded other income of RMB22.2 million (US\$3.4 million) in the three months ended March 31, 2021, as compared to RMB3.2 million in the three months ended March 31, 2020, primarily due to an increase in the government subsidies we received.

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Loss from operations. As a result of the foregoing, we incurred a loss from operations of RMB903.9 million (US\$138.0 million) in the three months ended March 31, 2021, as compared to RMB649.3 million in the three months ended March 31, 2020.

Interest income. We recorded interest income of RMB135.1 million (US\$20.6 million) in the three months ended March 31, 2021, as compared to RMB10.7 million in the three months ended March 31, 2020, primarily due to higher cash balances deposited with the banks in the three months ended March 31, 2021.

Interest expenses. We recorded interest expenses of RMB1.1 million (US\$0.2 million) in the three months ended March 31, 2021, as compared to RMB8.3 million in the three months ended March 31, 2020, primarily due to a decrease in our total borrowings.

Fair value loss on derivative assets/liabilities. We recorded fair value loss on derivative assets/liabilities of RMB1.8 million (US\$0.3 million) in the three months ended March 31, 2021, as compared to RMB5.0 million in the three months ended March 31, 2020, primarily because we recorded loss in fair value of the redemption rights of our preferred shares in the three months ended March 31, 2020 while we did not have convertible redeemable preferred shares after our initial public offering in the United States in August 2020.

Other non-operating (loss) income. We recorded other non-operating loss of RMB14.8 million (US\$2.3 million) in the three months ended March 31, 2021, compared to other non-operating income of RMB2.1 million in the three months ended March 31, 2020, primarily because the functional currency of certain of our entities is U.S. dollar while such entities hold certain assets denominated in Renminbi, and Renminbi depreciated against the U.S. dollar in the three months ended March 31, 2021.

Net loss. As a result of the foregoing, we incurred a net loss of RMB786.6 million (US\$120.1 million) in the three months ended March 31, 2021, as compared to RMB649.8 million in the three months ended March 31, 2020.

Year ended December 31, 2020 compared to year ended December 31, 2019

Revenues. Our revenues increased significantly from RMB2,321.2 million in 2019 to RMB5,844.3 million in 2020, which was primarily due to an increase in revenues from vehicle sales. We recorded revenues from vehicle sales of RMB5,546.8 million in 2020, as compared to RMB2,171.2 million in 2019. The increase was mainly due to higher sales volume and average unit price as a result of the mass delivery of the P7 in the second quarter of 2020. We delivered 12,728 units of the G3 to customers in 2019, and a total of 27,041 units of the G3 and the P7 in 2020. We recorded revenues from services and others of RMB297.6 million in 2020, as compared to RMB150.0 million in 2019. The increase was mainly attributable to increased revenues from maintenance service, super charging service and finance lease service, which were associated with the increase in accumulated number of vehicles delivered.

Cost of sales. Our cost of sales increased significantly from RMB2,879.4 million in 2019 to RMB5,578.3 million in 2020. Such increase was mainly due to the increase of vehicle deliveries. We recorded cost of sales from vehicle sales of RMB5,350.5 million in 2020, as compared to

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RMB2,733.5 million in 2019. We recorded cost of sales from services and others of RMB227.9 million in 2020, as compared to RMB145.8 million in 2019.

Gross (loss) profit. Our gross profit turned positive to RMB266.0 million in 2020 from a gross loss of RMB558.1 million in 2019, mainly due to expansion of product portfolio, decrease in material costs per unit and improvement of manufacturing efficiency. The decrease in the material costs per unit was primarily attributable to the declining battery price, and the decrease of unit price of raw materials and components as our procurement volume increases.

Research and development expenses. Our research and development expenses decreased by 16.6% from RMB2,070.2 million in 2019 to RMB1,725.9 million in 2020, primarily due to higher expenses relating to the development of the P7 and the Edward platform in 2019.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by 150.8% from RMB1,164.6 million in 2019 to RMB2,920.6 million in 2020, primarily due to (i) higher marketing, promotional and advertising expenses to support vehicle sales, (ii) the expansion of our sales network, operational, lease expenses for direct sales stores, and commission to the franchised stores, and (iii) higher employee compensation as a result of increasing number of sales and marketing staff and a large amount of share-based awards to our employees with a performance condition of an initial public offering recognized in 2020.

Other income. We recorded other income of RMB86.8 million in 2020, as compared to RMB12.3 million, primarily due to an increase in the government subsidies we received.

Loss from operations. As a result of the foregoing, we incurred a loss from operations of RMB4,293.7 million in 2020, as compared to RMB3,780.6 million in 2019.

Interest income. We recorded interest income of RMB133.0 million in 2020, as compared to RMB88.8 million in 2019, primarily due to higher cash balances deposited with banks in 2020.

Interest expenses. We recorded interest expenses of RMB22.5 million in 2020, as compared to RMB32.0 million in 2019, primarily due to a decrease in our total borrowings.

Fair value gain on derivative liabilities. We recorded fair value gain on derivative liabilities of RMB1,362.0 million in 2020, as compared to RMB27.7 million in 2019, primarily due to the change in fair value of the redemption rights of our preferred shares. The fair value gain recognized in 2019 and 2020 was due to the decrease in fair value of the redemption feature, primarily attributable to the decreased possibilities of the exercise of the redemption rights of preferred shares resulting from the fact that the Company progressed towards an initial public offering while the redemption event would be triggered if the Company failed to complete a qualified initial public offering within a pre-agreed period, partially offset by the increase in the total enterprise value of the Company. Therefore, even though the fair value of the entire preferred share instrument had increased, the value attributable to the redemption feature had decreased.

Other non-operating (loss) income. We recorded other non-operating income of RMB90.4 million in 2020, as compared to RMB4.4 million in 2019, primarily because the functional currency of certain of our

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entities is U.S. dollar while such entities hold certain assets denominated in Renminbi, and Renminbi appreciated against the U.S. dollar in 2020.

Net loss. As a result of the foregoing, we incurred a net loss of RMB2,732.0 million in 2020, as compared to RMB3,691.7 million in 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenues. We recorded revenues of RMB9.7 million and RMB2,321.2 million in 2018 and 2019, respectively. We began to deliver our Smart EVs in the fourth quarter of 2018, and we increased vehicle sales and service offerings in 2019. We recorded revenues from vehicle sales of RMB2,171.2 million in 2019, as compared to RMB4.2 million in 2018. All revenues from vehicle sales in 2018 and 2019 is related to the sale of the G3. We delivered 29 and 12,728 units of the G3 to customers in 2018 and 2019, respectively. We recorded revenues from services and others of RMB150.0 million in 2019, as compared to RMB5.6 million in 2018.

Cost of sales. We recorded cost of sales of RMB12.1 million and RMB2,879.4 million in 2018 and 2019, respectively. Our cost of sales increased in 2019, as we increased vehicle sales in 2019. We recorded cost of sales from vehicle sales of RMB2,733.5 million in 2019, as compared to RMB8.2 million in 2018. We recorded cost of sales from services and others of RMB145.8 million in 2019, as compared to RMB3.8 million in 2018.

Research and development expenses. Our research and development expenses increased by 96.9% from RMB1,051.2 million in 2018 to RMB2,070.2 million in 2019, primarily due to (i) an increase in employee compensation as a result of an expansion of our research and development staff, and (ii) an increase in our spending on the development of Smart EV platforms and new Smart EV models.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased by 81.3% from RMB642.5 million in 2018 to RMB1,164.6 million in 2019, due to (i) a 110.8% increase in selling expenses from RMB317.1 million in 2018 to RMB668.6 million in 2019, which was primarily due to an expansion of our sales and marketing staff, an increase in marketing, promotional and advertising expenses and an increase in operating and lease expenses related to the increase in the number of direct stores, and (ii) a 52.4% increase in general and administrative expenses from RMB325.4 million in 2018 to RMB496.0 million in 2019, which was primarily due to an expansion of our general corporate staff.

Other income. We recorded other income of RMB12.3 million in 2019, as compared to RMB1.5 million in 2018, primarily due to an increase in the government subsidies we received.

Loss from operations. As a result of the foregoing, we incurred a loss from operations of RMB3,780.6 million in 2019, as compared to a loss from operations of RMB1,694.6 million in 2018.

Interest income. We recorded interest income of RMB88.8 million in 2019, as compared to RMB65.4 million in 2018, primarily due to higher cash balances deposited with banks in 2019.

Interest expenses. We recorded interest expenses of RMB32.0 million in 2019, as compared to RMB5.8 million in 2018, primarily due to an increase in our total borrowings.

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Fair value gain on derivative liabilities. We recorded fair value gain on derivative liabilities of RMB27.7 million in 2019, and a fair value gain on derivative liabilities of RMB254.4 million in 2018, primarily due to the change in fair value of the redemption rights of our preferred shares. The fair value gain recognized in 2018 and 2019 was due to the decrease in fair value of the redemption feature, primarily attributable to the decreased possibilities of the exercise of the redemption rights of preferred shares resulting from the fact that the Company progressed towards an initial public offering while the redemption event would be triggered if the Company failed to complete a qualified initial public offering within a pre-agreed period, offset by the increase in the total enterprise value of the Company. Therefore, even though the fair value of the entire preferred share instrument had increased, the value attributable to the redemption feature had decreased.

Other non-operating (loss) income. We recorded other non-operating income of RMB4.4 million in 2019, primarily because the functional currency of certain of our entities is Renminbi while such entities hold certain assets denominated in U.S. dollar, and Renminbi depreciated against the U.S. dollar in 2019. We recorded other non-operating loss of RMB18.1 million in 2018, primarily due to appreciation of Renminbi against the U.S. dollar in 2018.

Net loss. As a result of the foregoing, we incurred a net loss of RMB3,691.7 million in 2019, as compared to a net loss of RMB1,398.8 million in 2018.

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WORKING CAPITAL

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

	As of December 31,			As of March 31,		As of April 30,	
	2018	2019	2020	2021		2021	
	RMB	RMB	RMB	RMB	US\$	RMB	US\$
						(Unaudited)	
	(in thousands)						
Current assets:							
Cash and cash equivalents	1,626,878	1,946,931	29,209,388	31,061,085	4,740,848	28,013,348	4,275,672
Restricted cash	4,647	460,812	2,332,145	1,779,251	271,567	1,373,386	209,620
Short-term deposits	759,975	—	979,897	988,711	150,907	1,941,703	296,362
Short-term investments	2,246,272	407,844	2,820,711	1,468,158	224,085	1,924,781	293,779
Accounts receivable, net	38,393	539,199	1,128,892	1,374,655	209,813	1,549,166	236,449
Current portion of finance lease receivables, net	—	45,836	156,069	253,951	38,760	301,851	46,071
Inventory	169,326	454,116	1,343,025	1,933,180	295,061	2,120,957	323,721
Amounts due from related parties	26,956	22,605	682	588	90	706	108
Prepayments and other current assets	1,236,596	1,083,307	1,603,286	1,788,035	272,908	1,806,804	275,772
Derivative assets	—	—	105,183	—	—	40,515	6,184
Total current assets	6,109,043	4,960,650	39,679,278	40,647,614	6,204,039	39,073,217	5,963,738
Current liabilities:							
Short-term borrowings	200,000	419,950	127,900	7,900	1,206	—	—
Accounts and notes payable	214,893	953,946	5,111,745	5,897,486	900,132	5,983,799	913,306
Amounts due to related parties	—	678	12,062	13,829	2,111	14,751	2,251
Current portion of lease liabilities	83,582	90,740	119,565	172,481	26,326	206,398	31,502
Current portion of deferred revenue	1,565	16,382	163,617	126,552	19,316	113,760	17,363
Current portion of long-term borrowings	—	60,000	45,000	—	—	—	—
Accruals and other liabilities	472,946	1,755,995	2,256,165	2,838,829	433,290	2,162,919	330,126
Income taxes payable	—	—	1,209	—	—	—	—
Derivative liabilities . . .	—	—	—	8,798	1,343	—	—
Total current liabilities	972,986	3,297,691	7,837,263	9,065,875	1,383,724	8,481,627	1,294,549
Net current assets	5,136,057	1,662,959	31,842,015	31,581,739	4,820,315	30,591,590	4,669,189

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Short-term investments

Our short-term investments mainly comprise of wealth management products issued by major and reputable commercial banks. Our short-term investments decreased by 81.8% from RMB2,246.3 million as of December 31, 2018 to RMB407.8 million as of December 31, 2019, primarily because the amount of our wealth management products that reached maturity exceeded the amount of newly purchased wealth management products during this period. Our short-term investments increased significantly from RMB407.8 million as of December 31, 2019 to RMB2,820.7 million as of December 31, 2020, primarily due to increased purchase of wealth management products from banks. Our short-term investments decreased by 48.0% from RMB2,820.7 million as of December 31, 2020 to RMB1,468.2 million (US\$224.1 million) as of March 31, 2021, primarily because the amount of our wealth management products that reached maturity exceeded the amount of newly purchased wealth management products during this period.

Accounts receivable, net

The Company generally does not carry significant accounts receivable related to vehicle sales and related sales as customer payments are due prior to vehicle delivery. The accounts receivable primarily consists of government subsidies to be collected from the government in relation to the vehicles sales. During the Track Record Period, the balance of our accounts receivable increased significantly from RMB38.4 million as of December 31, 2018 to RMB539.2 million as of December 31, 2019, further to RMB1,128.9 million as of December 31, 2020, and further to RMB1,374.7 million (US\$209.8 million) as of March 31, 2021, primarily due to the increasing amount of government subsidies resulting from the increase of our vehicles sales during the periods.

The following table sets forth our accounts receivable turnover days for the periods indicated:

	Year ended December 31,			Three months ended
	2018	2019	2020	March 31,
				2021
Accounts receivable turnover days ⁽¹⁾	N/A ⁽²⁾	45.4	52.1	38.2

Notes:

- (1) Accounts receivable turnover days equals the average of the opening and closing accounts receivable balances of the year divided by the total revenues for that period and multiplied by 365 days.

Accounts receivable turnover days for the three-month period equals the average of the opening and closing accounts receivable balances of the period divided by the total revenues for that period and multiple 90 days.

- (2) The accounts receivable turnover days for the year ended on December 31, 2018 was not meaningful because we just started delivery of vehicles in December 2018 and we don't have accounts receivable as of December 31, 2017.

Our accounts receivable turnover days were 45.4 days, 52.1 days and 38.2 days for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2021, respectively. The increase in our accounts receivable turnover days from 45.4 days in 2019 to 52.1 days in 2020 was primarily attributable to the increase in the government subsidies to be received by us as a result of our increasing sales volume. The decrease in our accounts receivable turnover days to 38.2 days for the three months ended March 31, 2021 was primarily due to the decrease in the government subsidies as a percentage of our total revenues.

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The following table sets forth the an aging analysis of our accounts receivable as of the dates indicated:

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>				
0-3 months	35,780	83,575	317,399	275,166	41,999
3-6 months	2,613	81,522	233,051	289,073	44,121
6-12 months	—	374,556	93,151	279,471	42,656
Over 1 year	—	3,358	492,704	539,095	82,282
	38,393	543,011	1,136,305	1,382,805	211,057

Our accounts receivable aged over one year increased significantly from RMB3.4 million as of December 31, 2019 to RMB492.7 million as of December 31, 2020, and further increased by 9.4% to RMB539.1 million (US\$82.3 million), primarily due to the increase of government subsidies associated with the higher sales volume of our Smart EVs. Substantially all of our accounts receivable aged over one year as of March 31, 2021 was government subsidies. Government subsidies are paid on an annual basis. The government subsidies attributable to the vehicle sales by the end of 2019 are expected to be paid around the middle of 2021. As the government subsidies are provided according to the government policies, which are public and of high certainty, we do not expect to experience any material recoverability issues for accounts receivable over one year and we consider our provision for accounts receivable sufficient. As of April 30, 2021, RMB30.3 million (US\$4.6 million), or 2.2%, of our accounts receivable as of March 31, 2021 had been settled.

Inventory

Our inventory mainly includes finished goods, raw materials and work-in-process. Finished goods primarily consist of Smart EVs ready for transit at production factory, Smart EVs in transit to fulfill customer orders, new Smart EVs available for immediate sale at its delivery and service centers, vehicle parts and charging piles. Raw materials primarily consist of materials for volume production. Work-in-process primarily consists of the P7s in production which will be transferred into production cost when incurred.

The following table sets forth a breakdown of our inventory as of the dates indicated:

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>				
Finished goods	60,353	328,443	943,945	1,298,811	198,237
Raw materials	108,973	125,673	387,524	631,199	96,340
Work-in-process	—	—	11,556	3,170	484
Total	169,326	454,116	1,343,025	1,933,180	295,061

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Our inventory increased significantly from RMB169.3 million as of December 31, 2018 to RMB454.1 million as of December 31, 2019, further to RMB1,343.0 million as of December 31, 2020, and further to RMB1,933.2 million (US\$295.1 million) as of March 31, 2021, primarily due to our business growth and the launch of new models.

During the Track Record Period, we recognized inventory write-downs in cost of sales of nil, RMB109.5 million, RMB92.6 million, RMB46.5 million (US\$7.1 million) in 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. The inventory write-downs in cost of sales in 2019 was primarily attributable to the phasing out of the G3 2019 model. The inventory write-downs in cost of sales in 2020 and the three months ended March 31, 2021 was made to net realizable value.

The following table sets forth our inventory turnover days for the periods indicated:

	<u>Year ended December 31,</u>			<u>Three months ended</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>
				<u>2021</u>
Inventory turnover days ⁽¹⁾	N/A ⁽²⁾	39.5	58.8	56.2

Notes:

- (1) Inventory turnover days for each one-year period equals the average of the opening and closing inventory balances of the year divided by the cost of sales for that year and multiplied by 365 days.

Inventory turnover days for the three-month period equals the average of the opening and closing inventory balances of the period divided by the cost of sales for that period and multiple 90 days.

- (2) The inventory turnover days for the year ended on December 31, 2018 was not meaningful because we just started delivery of vehicles in December 2018 and the cost of sales in 2018 was minimal.

Our inventory turnover days were 39.5 days, 58.8 days and 56.2 days for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2021 respectively. The increase in our inventory turnover days from 39.5 days in 2019 to 58.8 days in 2020 was primarily because the increases of finished goods in inventories at the end of 2020 due to increased orders for deliveries of Smart EVs in January 2021. The decrease in our inventory days to 56.2 days in the three months ended March 31, 2021 was primarily attributable to improvement of Smart EV delivery efficiency.

As of April 30, 2021, we had delivered or used RMB1,061.9 million (US\$162.1 million), or 53.7%, of our inventories as of March 31, 2021.

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Prepayments and other current assets

Our prepayments and other current assets primarily comprise of prepayments, amount receivables from issuance of preferred shares and deductible VAT input. Prepayments primarily consist of prepayment for raw materials, marketing and consulting services provided by suppliers. The following table sets forth details of our prepayments and other current assets as of the dates indicated:

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>				
Prepayments	151,956	80,699	909,327	1,064,468	162,470
Deductible value-added tax input	170,501	437,129	521,630	541,543	82,656
Deposits	23,326	188,190	30,006	30,322	4,628
Amount receivables from issuance of					
Preferred Shares	851,800	279,048	—	—	—
Others	39,013	98,241	142,323	151,702	23,154
Total	<u>1,236,596</u>	<u>1,083,307</u>	<u>1,603,286</u>	<u>1,788,035</u>	<u>272,908</u>

Our prepayments and other current assets decreased by 12.4% from RMB1,236.6 million as of December 31, 2018 to RMB1,083.3 million as of December 31, 2019, primarily due to a decrease in amounts receivables from issuance of Series B1 and B2 preferred shares, partially offset by the increase of deductible VAT input resulting from the increase in our procurement of raw materials and manufacturing equipment. Our prepayments and other current assets increased by 48.0% from RMB1,083.3 million as of December 31, 2019 to RMB1,603.3 million as of December 31, 2020, and further increased by 11.5% to RMB1,788.0 million (US\$272.9 million) as of March 31, 2021 primarily due to the increases in our prepayments with the suppliers as a result of business growth.

Accounts and Notes Payable

Our accounts and notes payable primarily consist of the amounts due to our suppliers for purchases of raw materials.

Our accounts and notes payable increased significantly from RMB214.9 million as of December 31, 2018 to RMB953.9 million as of December 31, 2019, primarily due to the increase in our procurement of raw materials as a result of increased vehicle sales. Our accounts and notes payable increased from RMB953.9 million as of December 31, 2019 to RMB5,111.7 million as of December 31, 2020, and further increased by 15.4% to RMB5,897.5 million (US\$900.1 million) as of March 31, 2021, primarily due to the increase in procurement of raw materials in response to the increased customer demand for our vehicles.

As of April 30, 2021, RMB1,355.3 million (US\$206.9 million), or 23.0% of our accounts and notes payable as of March 31, 2021 had been settled.

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Accruals and Other Liabilities

The following table sets forth our accruals and other liabilities as of the dates in indicated:

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	<i>(in thousands)</i>				
Withholding individual income tax					
related to the vested of RSUs	–	–	–	815,689	124,498
Payables for purchase of property, plant					
and equipment	69,493	831,644	596,527	496,740	75,817
Payables for marketing events	67,931	83,552	362,570	286,106	43,668
Employee compensation payable	189,442	199,515	326,081	358,031	54,646
Refundable deposit from customers	18,730	9,557	213,928	72,928	11,131
Payable for R&D expenses	6,994	257,473	197,751	260,448	39,752
Accrued expenses	36,119	107,712	145,174	130,057	19,851
Deposits from third parties	14,535	62,696	108,301	104,433	15,940
Non-controlling interests	–	98,010	98,010	98,010	14,959
Interest payables	13,818	23,315	61,997	32,949	5,029
Warranty	11	8,380	31,594	45,052	6,876
Advances from customers	34,951	37,478	5,437	–	–
Others	20,922	36,663	108,795	138,386	21,122
Total	<u>472,946</u>	<u>1,755,995</u>	<u>2,256,165</u>	<u>2,838,829</u>	<u>433,290</u>

Our accruals and other liabilities significantly increased from RMB472.9 million as of December 31, 2018 to RMB1,756.0 million as of December 31, 2019, primarily due to an increase in our payables for purchase of property, plant and equipment in relation to the construction of Zhaoqing plant and increase in expenses of research and development projects.

Our accruals and other liabilities increased by 28.5% from RMB1,756.0 million as of December 31, 2019 to RMB2,256.2 million as of December 31, 2020, primarily due to an increase in our payables for marketing events resulting from the growth in marketing and promotional activities in 2020 and an increase in refundable deposit from customers as a result of the large growth of vehicle sales. It is partially offset by the reduction of payables for purchase of property, plant and equipment following the completion of our Zhaoqing plant.

Our accruals and other liabilities increased by 25.8% from RMB2,256.2 million as of December 31, 2020 to RMB2,838.8 million (US\$433.3 million) as of March 31, 2021, primarily because we recorded withholding individual income tax in connection with the vesting of RSUs pursuant to our 2019 Equity Incentive Plan in the three months ended March 31, 2021.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	For the year ended /As of December 31,			For the three months ended/As of March 31,
	2018	2019	2020	2021
Gross margin ⁽¹⁾	(24.3%)	(24.0%)	4.6%	11.2%
Current ratio ⁽²⁾	6.3x	1.5x	5.1x	4.5x
Gearing ratio ⁽³⁾	N/A	N/A	5.3%	4.8%

Notes:

- (1) Gross margin equals gross (loss) profit divided by revenues for the period.
- (2) Current ratio equals current assets divided by current liabilities as of the end of the period.
- (3) Gearing ratio equals total debt divided by total equity as of the end of the period. Total debt is defined to include short-term borrowings, current portion of long-term borrowings and long-term borrowings which are all interest-bearing borrowings. The Company has negative shareholder's equity as of December 31, 2018 and 2019, thus the gearing ratio as of December 31, 2018 and 2019 are not meaningful.

The gross margin remained stable from 2018 to 2019. The increases in gross margin from (24.0%) in 2019 to 4.6% in 2020 and further to 11.2% in the three months ended March 31, 2021 were primarily due to the expansion of product portfolio, decrease in material costs per unit, improvement of manufacturing efficiency and revenue recognition of XPILOT software sales.

The decrease in current ratio from 6.3 as of December 31, 2018 to 1.5 as of December 31, 2019 was primarily due to the decrease of short-term investments and the increase in accruals and other liabilities in connection with the construction of Zhaoqing plant and our research and development projects. The increase in current ratio from 1.5 as of December 31, 2019 to 5.1 as of December 31, 2020 was primarily due to the increase in our cash and cash equivalents as a result of our initial public offering and follow-on offering in the United States in 2020. Our current ratio decreased from 5.1 as of December 31, 2020 to 4.5 as of March 31, 2021, primarily due to the increases in our accounts and notes payable and accruals and other liabilities, partially offset by the increase in the cash and cash equivalents held by us.

Our gearing ratio decreased from 5.3% as of December 31, 2020 to 4.8% as of March 31, 2021, primarily due to a decrease in our total borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have been through issuance of preferred shares, ordinary shares and bank borrowings, which have historically been sufficient to meet our working capital and capital expenditure requirements. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had cash and cash equivalents, restricted cash, short-term deposits and short-term investment of a total of RMB4,637.8 million, RMB2,815.6 million, RMB35,342.1 million and RMB35,297.2 million (US\$5,387.4

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million), respectively. Our restricted cash primarily represents bank deposits for letter of credit, bank acceptance bill and bank notes. As of April 30, 2021, we had aggregate cash and cash equivalents of RMB28,013.3 million.

In April 2021, we entered into an investment agreement with Wuhan ETDZ Committee. Pursuant to the investment agreement, Wuhan ETDZ Committee agrees to help fuel our growth and provide funding support to our construction of a new Smart EV manufacturing base in the Wuhan Economic & Technological Development Zone. Please refer to “Business – Manufacturing – New Wuhan Plant” for more details.

In January 2021, we signed a strategic cooperation agreement with leading domestic banks, which provides us with the option to secure a credit line of RMB12.8 billion with an extensive range of credit facilities. Under the terms of the strategic cooperation agreement, five domestic commercial banks, namely the Agricultural Bank of China, the Bank of China, China Construction Bank, China CITIC Bank and Guangzhou Rural Commercial Bank, will provide credit facilities to support our business operations and expansion of our manufacturing, sales and service capabilities. These facilities will help us optimize the efficiency of our cash management, cost control and other corporate functions.

In December 2020, we completed our follow-on public offering in the United States (the “**Follow-on US Public Offering**”) in which we offered and sold an aggregate 55,200,000 ADSs (including 7,200,000 ADSs sold upon the full exercise of the underwriters’ over-allotment option), representing 110,400,000 Class A ordinary shares, raising a total of US\$2,444.9 million in net proceeds.

In September 2020, we entered into a cooperation agreement with Guangzhou GET Investment. According to the terms of the cooperation agreement, Guangzhou GET Investment agrees to provide up to RMB4,000 million in financing to help our growth as well as support the construction of a new Smart EV manufacturing base in Guangzhou. Such financing includes the investment made by Guangzhou GET Investment in our initial public offering in the United States in August 2020 in an amount of approximately RMB250 million. Please refer to “Business—Manufacturing—New Guangzhou Plant” for more details.

In August 2020, we completed our initial public offering in the United States in which we issued and sold an aggregate of 114,693,333 ADSs (including 14,959,999 ADSs sold upon the full exercise of the underwriters’ over-allotment option), representing 229,386,666 Class A ordinary shares, at a public offering price of US\$15.00 per ADS for a total offering size of over US\$1.72 billion. The net proceeds raised from the initial public offering in the United States were US\$1,655.7 million. We incurred listing expenses of RMB470.3 million in connection with the initial public offering in the United States during the Track Record Period.

In July and August of 2020, we received cash proceeds of US\$900 million from our Series C+ round financing.

In July 2019 and November 2019, we entered into two loan agreements with a bank in the PRC. The principal amount under each agreement is RMB75.0 million. Each agreement provides for a fixed interest rate of 4.99% per annum and a term of three years. We are obligated to repay in six installments under each agreement.

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In May 2017, we obtained a facility of up to RMB1,600 million for the construction of our Zhaoqing plant from a state-owned company in Zhaoqing. In December 2020, RMB800 million out of the RMB1,600 million borrowings were repaid and concurrently a borrowing equivalently amounting to RMB800 million was obtained from a bank in PRC, with a maturity date from December 18, 2020 to December 17, 2028. As of December 31, 2020, the effective interest rate of the RMB800 million loans from the state-owned company and the RMB800 million bank loans is 4.90% and 4.98% per annum, respectively. For the remaining RMB800 million loans from the state-owned company, RMB200 million matures on January 31, 2027 and RMB600 million matures on January 31, 2028.

As of December 31, 2020 and March 31, 2021, we had short-term borrowings from three banks of RMB127.9 million in aggregate and from one bank of RMB7.9 million (US\$1.2 million), respectively.

Our Directors are of the view that taking into account cash and cash equivalents on hand, our operating cash flows, the available financing facilities, and the estimated net proceeds available to us from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

We may, however, need additional cash resources in the future if we experience changes in business condition or other developments, or if we find and wish to pursue opportunities for investments, acquisitions, capital expenditures or similar actions. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue equity or debt securities or obtain credit facilities. 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 operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

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

	Year Ended December 31,			Three months ended March 31,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(unaudited)					
	(in thousands)					
Summary Consolidated						
Cash Flow Data:						
Operating cash flows before changes in operating assets and liabilities, net of business acquisition . .	(1,552,727)	(3,355,879)	(2,597,017)	(558,116)	(426,551)	(65,104)
Changes in operating assets and liabilities, net of business acquisition	(2,989)	(189,976)	2,494,676	(128,018)	(92,044)	(14,049)
Interest paid	(16,999)	(16,909)	(37,411)	(7,912)	(51,112)	(7,801)
Income tax paid	—	(1)	(14)	—	(1,209)	(185)
Net cash used in operating activities	(1,572,715)	(3,562,765)	(139,766)	(694,046)	(570,916)	(87,138)
Net cash (used in) provided by investing activities . . .	(3,630,324)	740,296	(4,406,161)	(94,759)	341,680	52,151
Net cash provided by financing activities	6,734,200	3,593,562	34,329,793	791,626	1,445,678	220,653
Cash, cash equivalents and restricted cash at beginning of the year/period	115,146	1,631,525	2,407,743	2,407,743	31,541,533	4,814,178
Cash, cash equivalents and restricted cash at end of the year/period	1,631,525	2,407,743	31,541,533	2,401,688	32,840,336	5,012,415

Operating Activities

Net cash used in operating activities was RMB570.9 million (US\$87.1 million) in three months ended March 31, 2021, primarily due to net loss of RMB786.6 million, adjusted to add back depreciation of property, plant and equipment of RMB108.5 million, amortization of right-of-use assets of RMB58.9 million, inventory write-downs of RMB46.5 million and share-based compensation of RMB90.3 million, and to deduct interest income of RMB26.1 million. The amount was further adjusted by changes in itemized balances of operating assets and liabilities that have a negative effect on cash flow, including primarily an increase in inventory of RMB694.9 million in relation to materials for volume production and finished goods, as well as certain changes in itemized balances of operating assets and liabilities that have a positive effect on cash flow, including primarily (i) an increase in accounts and notes payable of RMB785.7 million in relation to the grace period we enjoyed for the payments payable to third-party suppliers, and (ii) an increase in accruals and other liabilities of RMB686.8 million primarily in relation to the withholding individual income tax in connection with the vesting of RSUs pursuant to our 2019 Equity Incentive Plan.

Net cash used in operating activities was RMB139.8 million in 2020, primarily due to net loss of RMB2,732.0 million, adjusted to add back depreciation of property, plant and equipment of

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RMB303.0 million, amortization of right-of-use assets of RMB109.5 million, impairment of property, plant and equipment of RMB63.3 million, inventory write-downs of RMB92.6 million and share-based compensation of RMB996.4 million, and to deduct fair value gain on derivative liabilities of RMB1,362.0 million. The amount was further adjusted by changes in itemized balances of operating assets and liabilities that have a negative effect on cash flow, including primarily (i) an increase in accounts receivable of RMB595.9 million in relation to the government subsidies that we are entitled to receive, (ii) an increase in inventory of RMB981.5 million in relation to materials for volume production and finished goods, (iii) an increase in prepayments and other current assets of RMB792.9 million in relation to prepayments to third-party suppliers for certain key materials, as well as certain changes in itemized balances of operating assets and liabilities that have a positive effect on cash flow, including primarily (i) an increase in accounts and notes payable of RMB4,157.8 million in relation to the grace period we enjoyed for the payments payable to third-party suppliers, and (ii) an increase in accruals and other liabilities of RMB723.0 million primarily in relation to our marketing events. The significant decrease in net cash used in operating activities from RMB3,562.8 million in 2019 to RMB139.8 million in 2020 was primarily because (i) our gross profit turned positive to RMB266.0 million in 2020, compared to a gross loss of RMB558.1 million in 2019, resulting in an increase in cash inflow from our sales, and (ii) given the rapid growth in production and deliveries, we had closer cooperation with our suppliers and more suppliers accepted notes payment by us, resulting in a lower increase in operating outflows compared to the increase in operating inflows in 2020.

Net cash used in operating activities was RMB3,562.8 million in 2019, primarily due to net loss of RMB3,691.7 million, adjusted to add back depreciation of property, plant and equipment of RMB125.5 million, amortization of right-of-use assets of RMB88.2 million, and inventory write-downs of RMB109.5 million. The amount was further adjusted by changes in itemized balances of operating assets and liabilities that have a negative effect on cash flow, including primarily (i) an increase in accounts receivable of RMB504.6 million in relation to the government subsidies that we are entitled to receive, (ii) an increase in prepayments and other current assets of RMB418.1 million in relation to prepayments to third-party suppliers for certain key materials, as well as certain changes in itemized balances of operating assets and liabilities that have a positive effect on cash flow, including primarily (i) an increase in accounts and notes payable of RMB739.1 million in relation to the grace period we enjoyed for the payments payable to third-party suppliers, and (ii) an increase in accruals and other liabilities of RMB520.5 million primarily in relation to our research and development projects.

Net cash used in operating activities was RMB1,572.7 million in 2018, primarily due to net loss of RMB1,398.8 million, adjusted to add back depreciation of property, plant and equipment of RMB53.5 million, amortization of right-of-use assets of RMB34.5 million, loss of disposal of property, plant and equipment of RMB30.3 million and foreign exchange losses of RMB11.8 million. The amount was further adjusted by changes in itemized balances of operating assets and liabilities that have a negative effect on cash flow, including primarily an increase in prepayments and other current assets of RMB277.7 million in relation to prepayments to third-party suppliers for certain key materials, as well as certain changes in itemized balances of operating assets and liabilities that have a positive effect on cash flow, including primarily an increase in accruals and other liabilities of RMB324.8 million primarily due to an increase in employee compensation payable.

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Investing Activities

Net cash provided by investing activities in the three months ended March 31, 2021 was RMB341.7 million (US\$52.2 million), which was primarily attributable to (i) maturities of short-term investments of RMB1,369.6 million, and (ii) maturities of derivative assets of RMB112.2 million, partially offset by (i) placement of long-term deposits of RMB900.0 million, and (ii) purchase of property, plant and equipment of RMB223.1 million.

Net cash used in investing activities in 2020 was RMB4,406.2 million, which was primarily attributable to (i) placement of short-term deposits of RMB979.9 million, (ii) placement of short-term investments of RMB2,347.2 million, (iii) purchase of property, plant and equipment of RMB806.1 million, (iv) purchase of intangible assets of RMB426.1 million primarily in relation to the acquisition of a company that holds a manufacturing license, partially offset by receipt of government subsidy related to assets of RMB243.8 million.

Net cash provided by investing activities in 2019 was RMB740.3 million, which was primarily attributable to (i) maturities of short-term deposits of RMB760.0 million, and (ii) maturities of short-term investments of RMB1,905.2 million, partially offset by (i) purchase of property, plant and equipment of RMB1,831.6 million, and (ii) prepayment for acquisition of assets of RMB100.0 million in relation to a corporate acquisition.

Net cash used in investing activities in 2018 was RMB3,630.3 million, which was primarily attributable to (i) placement of short-term deposits of RMB760.0 million, (ii) placement of short-term investments of RMB1,863.4 million, and (iii) purchase of property, plant and equipment of RMB770.3 million.

Financing Activities

Net cash provided by financing activities in the three months ended March 31, 2021 was RMB1,445.7 million (US\$220.7 million), which was primarily attributable to proceeds from non-controlling interests of RMB1,660.0 million.

Net cash provided by financing activities in 2020 was RMB34,329.8 million, which was primarily attributable to (i) proceeds from issuance of ordinary shares of RMB27,399.3 million and (ii) proceeds from issuance of convertible redeemable preferred shares of RMB7,282.6 million.

Net cash provided by financing activities in 2019 was RMB3,593.6 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB2,678.6 million and (ii) proceeds from borrowings of RMB1,620.0 million, partially offset by repayment of borrowings of RMB748.1 million.

Net cash provided by financing activities in 2018 was RMB6,734.2 million, which was primarily attributable to (i) proceeds from issuance of convertible redeemable preferred shares of RMB5,854.2 million and (ii) proceeds from borrowings of RMB1,200.0 million, partially offset by repayment of borrowings of RMB320.0 million.

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RECONCILIATION BETWEEN U.S. GAAP AND IFRS

The consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. The main reconciling items include classification and measurement of preferred shares, issuance costs, onerous contract, operating leases and share-based compensation. The following table sets forth the effects of material differences prepared under U.S. GAAP and IFRS:

	Year ended December 31,			For the three months ended March 31,		
	2018	2019	2020	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
				(Unaudited)		
				(in thousands)		
Reconciliation of net loss attributable to the Company in the consolidated statements of comprehensive loss						
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under U.S. GAAP	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)	(120,053)
IFRS adjustments:						
Classification and measurement of preferred shares	(839,653)	70,069	(25,697,267)	(1,365,825)	—	—
Issuance costs	—	—	(26,664)	—	—	—
Onerous contract	—	(67,866)	10,802	2,827	3,823	584
Operating leases	(5,740)	(8,687)	(6,166)	(1,946)	(2,024)	(309)
Share-based compensation	—	—	(5,851)	—	(27,925)	(4,262)
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under IFRS	(2,244,216)	(3,698,157)	(28,457,131)	(2,014,705)	(812,687)	(124,040)

	As of December 31,			As of March 31,	
	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	US\$
	(in thousands)				
Reconciliation of total shareholders' (deficit) equity in the consolidated balance sheets					
Total shareholders' (deficit) equity as reported under U.S. GAAP	(2,185,225)	(6,830,430)	34,429,809	33,834,616	5,164,171
IFRS adjustments:					
Classification and measurement of preferred shares	(158,262)	693,111	—	—	—
Onerous contract	—	(67,866)	(57,064)	(53,241)	(8,126)
Operating leases	(5,740)	(14,427)	(20,593)	(22,617)	(3,452)
Total shareholders' (deficit) equity as reported under IFRS	(2,349,227)	(6,219,612)	34,352,152	33,758,758	5,152,593

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Classification and measurement of preferred shares

Under U.S. GAAP, our preferred shares are accounted for as two components: (i) mezzanine equity and (ii) the redemption right bifurcated and accounted for as derivative liabilities initially measured at fair value with subsequent changes in fair value recognized through earnings. The mezzanine equity component is subsequently accreted to the amount which equals to redemption value of each series of preferred shares, less the-then fair value of the derivative liability using the interest method.

Under IFRS, the preferred shares, which are redeemable at the option of the holder, represent a financial liability with embedded features subject to bifurcation. The preferred shares are measured at fair value and designated as at fair value through profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability shall be presented in other comprehensive income, and the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

Accordingly, the reconciliation includes a fair value loss difference of RMB839.7 million, a fair value gain difference of RMB70.1 million, a fair value loss difference of RMB25,697.3 million, a fair value loss difference of RMB1,365.8 million and nil recognized in net loss attributable to the Company in the consolidated statements of comprehensive loss for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively. The reconciliation also includes the difference between mezzanine equity and derivative liabilities under U.S. GAAP and financial liabilities under IFRS of RMB158.3 million, RMB693.1 million, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

All of our preferred shares were converted into our ordinary shares upon the completion of the initial public offering and listing of our ADSs on the NYSE in August 2020. Consequently, there was no such reconciliation item in classification and measurement of preferred shares between U.S. GAAP and IFRS subsequently.

Issuance costs

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities (“issuance costs”) may be deferred and capitalized against the gross proceeds of the offering.

Under IFRS, only those issuance costs considered directly attributable to the issuance of new shares to investors can be capitalized. Those issuance costs considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of RMB26.7 million for the year ended December 31, 2020 in relation to the issuance costs incurred during the initial public offering and listing of the Company’s ADSs on the NYSE in August 2020.

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Onerous contract

In the third quarter of 2019, due to the upgrade of the G3, we voluntarily offered a customer upgrade program to all of the existing G3 owners. See Note 2(t) to the Accountant's Report in Appendix I to this prospectus for details. The additional promises included in the customer upgrade program for G3 customers resulted in the Company incurring additional costs to fulfil the related additional promises upon the modification of the contracts with the customers. Such incremental costs exceed the economic benefits expected to be received under the contract. Consequently, the upgrade program resulted in an "onerous contract" situation.

Under U.S. GAAP, there is no general guidance available for the recognition of onerous contract except for certain types of contracts or industry-specific arrangements. None of which is considered applicable to the Company's situation above. Under IFRS, provisions are recognized when a contract becomes onerous, which occurs when the unavoidable costs of meeting the obligation(s) under a contract exceed the economic benefits to be received.

Accordingly, the reconciliation includes an onerous contract cost difference of RMB67.9 million recognized and RMB10.8 million, RMB2.8 million and RMB3.8 million reversed in the consolidated statements of comprehensive loss for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively. The amounts represent the net losses incurred by the Group as a result of the onerous contract aforementioned when it first offered the upgrade program to its G3 customers during the year ended December 31, 2019 and the reversal of such losses as the onerous contract provision was partially utilized during the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021. The reconciliation also includes a difference of onerous contract provision made of RMB67.9 million, RMB57.1 million and RMB53.2 million as of December 31, 2019 and 2020 and March 31, 2021, respectively.

Operating leases

For operating leases under U.S. GAAP, the subsequent measurement of the lease liability is based on the present value of the remaining lease payments using the discount rate determined at lease commencement, while the right-of-use asset is remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term, as opposed IFRS which generally yields a "front-loaded" expense with more expense recognized in earlier years of the lease.

Accordingly, the reconciliation includes an expenses difference recognized in the consolidated statements of comprehensive loss of RMB5.7 million, RMB8.7 million, RMB6.2 million, RMB1.9 million and RMB2.0 million for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively. The reconciliation also includes a difference in total shareholders' (deficit) equity of RMB5.7 million, RMB14.4 million, RMB20.6 million and RMB22.6 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

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Share-based compensation

Subsequent to the completion of the initial public offering and the listing of our ADS on the NYSE in August 2020, we granted RSUs with service condition only to employees and the share-based compensation expenses were recognized over the vesting period using straight-line method under U.S. GAAP. While under IFRS, the graded vesting method must be applied. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of RMB5.9 million and RMB27.9 million for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

HOLDING COMPANY STRUCTURE

We began our operations in 2015 through Chengxing Zhidong. We undertook the Reorganization to facilitate our initial public offering in the United States. As part of the Reorganization, we incorporated XPeng Inc., our holding company in December 2018. As a transitional arrangement of the Reorganization, Guangdong Xiaopeng Motors Technology Co., Ltd., our wholly owned subsidiary, entered into a series of contractual agreements with Chengxing Zhidong and its shareholders in September 2019, pursuant to which Guangdong Xiaopeng Motors Technology Co., Ltd. exercised effective control over the operations of Chengxing Zhidong. In May 2020, Guangdong Xiaopeng Motors Technology Co., Ltd. completed its purchase of 100% equity interest in Chengxing Zhidong. Consequently, Chengxing Zhidong became an indirect wholly owned subsidiary of XPeng Inc.

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

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INDEBTEDNESS

Borrowings

As of December 31, 2018, 2019 and 2020, March 31, 2021 and April 30, 2021, we had total borrowings of RMB1,200.0 million, RMB2,170.0 million, RMB1,817.9 million, RMB1,607.9 million (US\$245.4 million) and RMB1,600.0 million (US\$244.2 million), respectively.

The following table sets forth the breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,		As of April 30,	
	2018	2019	2020	2021		2021	
	RMB	RMB	RMB	RMB	US\$	RMB	US\$
	<i>(in thousands)</i>					<i>(Unaudited)</i>	
Current							
Short-term borrowings:							
Bank loans	200,000	419,950	127,900	7,900	1,206	—	—
Current portion of long-term borrowings	—	60,000	45,000	—	—	—	—
Total current borrowings	200,000	479,950	172,900	7,900	1,206	—	—
Non-Current							
Long-term borrowings:							
Bank loans	—	90,000	845,000	800,000	122,104	800,000	122,104
Other loans	1,000,000	1,600,000	800,000	800,000	122,104	800,000	122,104
Total non-current borrowings	1,000,000	1,690,000	1,645,000	1,600,000	244,208	1,600,000	244,208
Total borrowings	1,200,000	2,169,950	1,817,900	1,607,900	245,413	1,600,000	244,208

As of December 31, 2018, 2019 and 2020, the total amount of our short-term borrowings were RMB200 million, RMB420.0 million and RMB127.9 million, respectively, with effective interest rates in the range of 3.92% to 4.13% per annum, 3.92% to 4.57% per annum and 4.17% to 4.99% per annum, respectively. As of March 31, 2021, the total amount of our short-term borrowings was RMB7.9 million with an effective interest rate of 4.5% per annum.

In May 2017, we obtained a facility of up to RMB1,600 million from Zhaoqing High-tech Zone, specified for the construction of Zhaoqing plant. In December 2020, we repaid RMB800 million of the borrowing from Zhaoqing High-tech Zone. As of December 31, 2020, the effective interest rate of the remaining borrowing from Zhaoqing High-tech Zone is 4.90% per annum.

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In 2019, we entered into long-term loan agreements with a bank in PRC of total principals of RMB150,000, subject to a fixed interest rate of 4.99% per annum.

In 2020, we entered into a long-term loan agreement with a bank in PRC of principal of RMB800 million, subject to a fixed interest rate of 4.98% per annum.

As of April 30, 2021, being the latest practicable date for determining our indebtedness, we had no outstanding short-term borrowings. As of April 30, 2021, the total amount of our long-term borrowings were RMB1,600.0 million (US\$244.2 million).

As of April 30, 2021, we had unutilized and unrestricted bank loan facilities of RMB2,047.8 million (US\$316.3 million).

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable agreement we entered with our lenders. Our Directors confirm that we are not subject to other material covenants under any agreements with respect to any bank loans or other borrowings. Our Directors also confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Taking our financial position into consideration, our Directors are of the opinion that we are able to abide by these covenants amid current market conditions and that our capital raising abilities were not materially affected as of April 30, 2021.

Lease Liabilities

We recognized total lease liabilities of RMB350.9 million, RMB452.1 million, RMB472.1 million, RMB663.0 million (US\$101.2 million) and RMB718.6 million (US\$109.7 million) as of December 31, 2018, 2019 and 2020, March 31, 2021 and April 30, 2021.

Amounts due to non-controlling interests

As of December 31, 2018, 2019 and 2020, March 31, 2021 and April 30, 2021, we had amounts due to non-controlling interests of nil, RMB98.0 million, RMB98.0 million, RMB1,758.0 million (US\$268.3 million) and RMB1,758.0 million (US\$268.3 million), respectively. For details relating to amounts due to non-controlling interests, see Notes 14 and 16 to the Accountant's Report in Appendix I to this prospectus.

Contingent Liabilities

As of December 31, 2018, 2019, 2020, March 31, 2021 and April 30, 2021, we did not have any material contingent liabilities.

Except as otherwise disclosed in this prospectus, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of April 30, 2021. Since April 30, 2021 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

We made capital expenditures of RMB1,009.4 million, RMB2,008.4 million, RMB1,362.4 million and RMB225.5 million (US\$34.4 million) in 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. In these periods, our capital expenditures were used primarily for the construction of our Zhaoqing plant as well as mold and tooling for new vehicle models. In March 2020, we entered into an agreement to acquire a company that holds a manufacturing license for a total cash consideration of approximately RMB500.0 million. In 2021 and 2022, we expect to incur capital expenditures primarily on the construction of plants and purchase of equipment in relation to our new Smart EV manufacturing bases in Guangzhou and Wuhan, as well as mold and tooling for new vehicle models. We intend to fund our planned capital expenditures using existing cash on hand, net proceeds received from the Global Offering, and government's financing support for the manufacturing bases. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of March 31, 2021:

	Payment due by period					
	Total		Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
	RMB	US\$	RMB			
<i>(in thousands)</i>						
Short-term and long-term borrowings ⁽¹⁾	1,607,900	245,413	7,900	–	–	1,600,000
Operating lease liabilities ⁽²⁾	748,017	114,170	197,078	305,314	130,330	115,295
Purchase commitments for property, plant and equipment	546,648	83,435	546,648	–	–	–
Interest on borrowings	565,965	86,383	79,047	158,297	158,080	170,541
Purchase commitments for raw materials ⁽³⁾	2,832,559	432,333	2,631,927	184,170	16,462	–
Total	6,301,089	961,734	3,462,600	647,781	304,872	1,885,836

Notes:

- (1) Short-term borrowings are mainly bank loans. Long-term borrowings consist of bank loans and the facility obtained from Zhaoqing High-tech Zone specified for expenditures of the construction of Zhaoqing manufacturing plant.
- (2) Operating lease liabilities represent our obligations for leasing offices, retail and service centers, warehouses for finished goods, parking area for charging infrastructure and factories for research and development activities which are substantially located in PRC.
- (3) Purchase obligations for raw materials primarily consist of the commitment under the contracts with our suppliers.

Other than as shown above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of March 31, 2021.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

RELATED PARTY TRANSACTIONS

For details relating to our related party transactions, see Note 26 to the Accountant's Report in Appendix I to this prospectus. Going forward, we will continue to engage in certain transactions with related parties. Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

The Company uses Renminbi as its reporting currency. Most of our revenues and expenses are denominated in Renminbi, while we also have certain portion of cash denominated in the U.S. dollar from our financing. The functional currency of our company and subsidiaries in the United States and Hong Kong is the U.S. dollar. The functional currency of our subsidiaries in the PRC, the VIE and the VIE's subsidiaries is the Renminbi. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency during the year are converted into functional currency at the applicable rates of exchange prevailing when the transactions occurred. Transaction gains and losses are recognized in the consolidated statements of comprehensive loss. We had a foreign exchange loss of RMB11.8 million for fiscal year ended in 2018, a foreign exchange gain of RMB8.4 million in 2019, a foreign exchange gain of RMB81.2 million in 2020 and a foreign exchange loss of RMB15.2 million (US\$2.3 million) in the three months ended March 31, 2021.

We do not believe that we currently have any significant direct foreign exchange risk arising from our operating activities. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs and/or Class A ordinary shares will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the

FINANCIAL INFORMATION

Renminbi and the U.S. dollar had been stable and traded 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. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and the Renminbi appreciated approximately 7% against the U.S. dollar during this one-year period. Starting from the beginning of 2019, the Renminbi has depreciated significantly against the U.S. dollar again. In early August 2019, the PBOC set the Renminbi's daily reference rate at RMB7.0039 to US\$1.00, the first time that the exchange rate of Renminbi to U.S. dollar exceeded 7.0 since 2008. 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.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our Class A 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 amounts available to us.

As of March 31, 2021, we had Renminbi-denominated cash and cash equivalents, restricted cash and short-term investments of RMB11,655 million, and U.S. dollar-denominated cash, cash equivalents, restricted cash and short-term deposit of US\$3,605 million. Assuming we had converted RMB11,655 million into U.S. dollars at the exchange rate of RMB6.5518 for US\$1.00 as of March 31, 2021, our U.S. dollar cash balance would have been US\$5,384 million. If the RMB had depreciated by 10% against the U.S. dollar, our U.S. dollar cash balance would have been US\$5,222 million instead. Assuming we had converted US\$3,605 million into RMB at the exchange rate of RMB6.5518 for US\$1.00 as of March 31, 2021, our RMB cash balance would have been RMB35,275 million. If the RMB had depreciated by 10% against the U.S. dollar, our RMB cash balance would have been RMB37,637 million instead.

Interest Rate Risk

We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure. However, we cannot provide assurance that we will not be exposed to material risks due to changes in market interest rate in the future.

We may invest the net proceeds we received from the initial public offering in the U.S. and our follow-on public offering in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

FINANCIAL INFORMATION

Inflation

Since 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 for December 2018, 2019 and 2020 were increases of 2.1%, 2.9% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

DIVIDEND POLICY

Since inception, we have not declared or paid any dividends on our shares. We do not have any present plan to declare or pay any dividends on our Shares or ADSs in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any other future determination to pay dividends will be made at the discretion of our Board of Directors. 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. Even if we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including 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.

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 depositary, as the registered holder of such Class A ordinary shares, and the depositary 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, net of the fees and expenses payable thereunder. Cash dividends on our Class A ordinary shares, if any, will be paid in U.S. dollars.

We are a holding company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders, we may rely on dividends distributed by our PRC subsidiaries for our cash requirements. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. For example, certain payments from our PRC subsidiaries to us may be subject to PRC withholding income tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends. See “Risk Factors—Risks Relating to Doing Business in China—We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.”

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVE

As of March 31, 2021, the Company did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses in connection with the Global Offering are estimated to be approximately RMB215.1 million, assuming the Over-allotment Option is not exercised and based upon an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, representing 1.7% of the gross proceeds from the Global Offering. These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering.

As of March 31, 2021, RMB0.9 million had been charged to the consolidated statements of comprehensive loss. We estimate that additional listing expenses of approximately RMB2.9 million will be charged to the consolidated statements of comprehensive loss and RMB211.3 million will be charged to our equity upon completion of the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2021 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company are based on the audited consolidated net tangible assets attributable to the shareholders of the Company as of March 31, 2021, as shown in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2021⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB⁽³⁾</i>	<i>HK\$⁽⁴⁾</i>
Based on an Offer Price of HK\$180.00 per Share	33,230,610	12,397,237	45,627,847	27.29	33.11

Notes:

- (1) The audited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2021 has been extracted from the Accountant's Report of the Group as set out in Appendix I to this prospectus which is based on the audited consolidated net assets attributable to shareholders of the Company as of March 31, 2021 of RMB33,834,616,000 with adjustment for intangible assets as of March 31, 2021 of RMB604,006,000.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$180.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding listing expenses of RMB0.9 million which have been charged to the consolidated statements of comprehensive loss prior to March 31, 2021) and does not take into account of 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the 2019 Equity Incentive Plan, any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be issued upon the vesting of RSU after March 31, 2021 pursuant to the 2019 Equity Incentive Plan or any Shares which may be issued or repurchased by the Company.
- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,672,124,748 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021 but does not take into account of 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the 2019 Equity Incentive Plan, any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares which may be issued upon the vesting of RSU after March 31, 2021 pursuant to the 2019 Equity Incentive Plan or any Shares which may be issued or repurchased by the Company.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2132. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading positions or prospects since March 31, 2021, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$15,039.08 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering and based upon an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming no exercise of the Over-allotment Option.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 45% (approximately HK\$6,767.6 million) of the net proceeds is expected to be used for the expansion of our product portfolio and development of more advanced technology.

Approximately 15% (approximately HK\$2,255.9 million) of the net proceeds is expected to be used for developing software technology

- i. Continue to invest in the innovations of our proprietary software including XPILOT and Xmart OS. We will invest in the development of future generations of XPILOT, which will feature more advanced autonomous driving capabilities and applications in broader driving scenarios. For example, we plan to roll out XPILOT 3.5 which will support NGP for major urban roads, and introduce XPILOT 4.0 built upon our next-generation autonomous driving hardware and software platform. We will continuously upgrade Xmart OS for next-generation smart cockpit to bring more powerful capabilities in natural language processing, natural language understanding, and intelligent recommendation.

Approximately 20% (approximately HK\$3,007.8 million) of the net proceeds is expected to be used for developing new models and improving our hardware technology

- ii. Invest in product portfolio expansion by continuously introducing new models. For example, we target to deliver the G3i, the mid-cycle facelift version of the G3, in the late third quarter of 2021, our third Smart EV model, the P5, in the fourth quarter of 2021 and our fourth Smart EV model in 2022. We also plan to fund the development of a new Smart EV platform to which enables us to support more advanced vehicle system and software. The new products built on both existing and new platforms will allow us to broaden our addressable market and serve the demands of a wide range of customers.
- iii. Invest to strengthen our hardware capability including but not limited to our powertrain, E/E architecture and super charging technology. We plan to design our upgraded powertrain and E/E architecture to improve vehicle performance, energy and cost efficiency, as well

FUTURE PLANS AND USE OF PROCEEDS

as overall vehicle safety. We plan to further optimize our battery pack design and improve our battery management system to enhance safety, reduce charging time and extend battery life. We will upgrade display and audio system to support more interactive and intelligent infotainment features for better user experience. In response to our plan to expand our XPeng-branded super charging network, we will also invest in the development of charging technology for our charging piles to allow for faster and safer charging.

Approximately 10% (approximately HK\$1,503.9 million) of the net proceeds is expected to be used for other technology investments

- iv. Acquire cutting edge technologies, through investment and joint development with business partners and ecosystem players, to stay at the forefront of Smart EV development and product innovation. As a visionary innovator, we plan to continuously breaking new grounds and embracing next-generation technologies that have not yet been mass deployed to commercially available vehicles today.
 - v. Invest in adaptation of vehicles to meet the different technical standards, requirements, and customer preference of overseas countries to support our internationalization.
 - vi. Invest in digitalization of our operations and leverage on big data analytics to improve operational efficiency. We intend to develop various information systems in-house, covering customer management, supply chain management, production, finance and other operational aspects. Such investment will allow us to enhance the level of integration among different systems and facilitate the data flow across various functional departments, thus driving a more effective decision making and efficiency enhancement.
- Approximately 35% (approximately HK\$5,263.7 million) of the net proceeds is expected to be used to accelerate our business expansion, by enhancing our brand recognition, acquiring customers through omni-channel marketing strategies, and expanding our sales and service touch points both domestically and internationally.

Specifically, we expect approximately 10% (approximately HK\$1,503.9 million) of the net proceeds to be used for enhancing our brand recognition through the following marketing strategies in order to promote the sale of our Smart EVs:

- i. Offline marketing campaigns: (a) increase deployment of advertisements, such as digital and physical displays of our Smart EVs in certain transportation hubs, including airports and high-speed railway stations, to attract the broad customer traffic in an efficient manner; and (b) strengthen our presence in major auto shows and participate more frequently in regional auto shows in tier two cities with high population density; and (c) organize other offline events, such as test drives, technology events to promote the enhanced functionalities of our hardware and software, and thereby solidifying our brand image as a technology leader and innovator in the minds of customers.
- ii. Online social media promotions and advertisements: As Chinese consumers increasingly refer to articles and reviews published on online social media platforms

FUTURE PLANS AND USE OF PROCEEDS

when making vehicle purchase decisions, we plan to make targeted online marketing through (a) partnership with KOLs who primarily produce original media contents related to, but not limited to technology, fashion, smart lifestyle to promote our Smart EVs; and (b) acquisition of high quality online leads to support higher order conversion.

Approximately 20% (approximately HK\$3,007.8 million) of the net proceeds is expected to be used to broaden our sales, services, and super charging network, as well as to improve the skills and service quality of our sales and marketing personnel in order to better serve our customers. Specifically, we plan to:

- i. Expand the presence of physical stores in cities which we believe have strong demand for Smart EVs, and open more stores, including flagship stores to enhance direct customer access: (a) in light of the scale and growth potentials of EV market in China, we plan to increase the number of sales stores in tier one and tier two cities to increase the density of our sales network, further penetrate the existing market and deliver better customer experience; and (b) penetrate into lower-tier cities to capture the previously underserved demand, as well as cultivate potential customer base and construct a complete nationwide sales network. We plan to use the majority of the investments for sales stores expansion on direct stores, with the rest on franchisee stores. In the medium term, we expect to more than double the number of our sales stores.
- ii. Expand existing service stores network: we expect to increase the number of service stores, and especially open more direct service centres in cities with meaningful Smart EV ownership to meet the customer needs for after-sale services and ensure consistent service quality.
- iii. Expand the network of XPeng-branded super charging stations: we plan to substantially increase the number of XPeng-branded super charging stations across China to build an extensive charging network for our customers, which will not only provide a more convenient and efficient charging experience to our customers, but also enhance our brand recognition and boost sales. To sufficiently satisfy the diverse charging needs, our charging network will feature both small scale stations strategically located in commercial centres and larger scale charging stations with more piles at other locations across the cities. In the medium term, we expect to more than double the number of our XPeng-branded super charging stations.
- iv. Further develop our sales and marketing team: we plan to recruit more sales and marketing personnel in conjunction with our expanded network to achieve full-spectrum coverage of the markets of all tiers. As sales and marketing personnel serves as the direct touch points with our customers and represents our brand, we will also provide enhanced training to our employees to help them understand our product particulars, build soft skill sets and reach high service standards, in order to better serve the customers and promote our brand image.

Approximately 5% (approximately HK\$752.0 million) of the net proceeds is expected to be used for strategically building and expanding our presence in international markets, starting with

FUTURE PLANS AND USE OF PROCEEDS

certain European markets. Specifically, we plan to (a) open sales stores in select countries to enhance our brand recognition and improve customer reach internationally; and (b) enhance marketing efforts to promote our brand and develop potential customer base.

- Approximately 10% (approximately HK\$1,503.9 million) of the net proceeds is expected to be used for the enhancement of production capability, including expansion of capacity, upgrade of manufacturing facilities and development of manufacturing technologies.
 - i. To further expand our production capacity and support our increasing vehicle sales volume, we are planning to construct new Smart EV manufacturing bases in Guangzhou and Wuhan with expected annual production capacity of 100,000 units each. These two production base will house a broad range of functions, including, among others, manufacturing, and vehicle testing. Please refer to “Business – Manufacturing” for more details.
 - ii. For the existing Zhaoqing plant, we plan to continuously upgrade and invest in equipment and technological system to further optimize operating efficiency and product quality.
 - iii. We will continuously research and develop advanced manufacturing technologies to enhance the level of automation and ensure better product quality.
- Approximately 10% (approximately HK\$1,503.9 million) of the net proceeds is expected to be used for general corporate purposes, including working capital needs.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing deposits at licensed banks.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

UNDERWRITING

HONG KONG UNDERWRITERS

J.P. Morgan Securities (Asia Pacific) Limited
Merrill Lynch (Asia Pacific) Limited
Citigroup Global Markets Asia Limited
CLSA Limited
ABCI Securities Company Limited
BOCI Asia Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. We expect the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 4,250,000 Hong Kong Offer Shares and the International Offering of initially 80,750,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Public Offer Price.

Subject to (a) the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Class A ordinary shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Hong Kong Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) in their absolute discretion may, by giving a written notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks, escalation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, and such related/mutated forms), economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism (whether or not responsibility has been claimed), in or affecting the Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) (each a “Relevant Jurisdiction” and collectively, the “Relevant Jurisdictions”);
 - (ii) any material change in short or long term debt of the Company or any of its subsidiaries, or any development involving a prospective change, in or affecting the general affairs, management, financial, position, shareholder’s equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the this prospectus;
 - (iii) trading generally shall have been suspended or materially limited on or by any of the Stock Exchange, the NYSE, the NASDAQ Global Market, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
 - (iv) a suspension or material limitation in trading of the Company’s securities on the NYSE;
 - (v) a general moratorium on commercial banking activities shall have been declared by United States federal, or New York State, Cayman Islands, the British Virgin Islands, Hong Kong or PRC authorities or any major disruption of settlements of securities, payment or clearance services in any of the Relevant Jurisdictions;
 - (vi) any change or development involving a prospective change in or affecting taxation affecting the Company, any of its subsidiaries, or the Shares or transfer thereof;
 - (vii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational (the “Authority”) materially affecting the business or operations of the Company or its subsidiaries;

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- (viii) any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, or any change in any of the Relevant Jurisdictions or international financial, political or economic conditions or exchange controls;
- (ix) any litigation, proceedings, investigations, process for administrative sanctions or other actions initiated by any Authority before any Authority, in each case with due authority, against or involving any party hereto, in the PRC or elsewhere, that seeks to declare non-compliance, unlawful or illegal, under PRC laws, rules and regulations, the issuance and sales of the Shares, the listing and trading of the Class A ordinary shares on the Main Board of the Stock Exchange and the Hong Kong Underwriting Agreement and the transactions contemplated thereby or hereby;
- (x) the enactment, publication, decree or other promulgation of any new statute, regulation, rule, order or any change or development involving a prospective change in existing laws or regulations or materially affecting the business or operations of the Company or member of the Group or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (xi) any change or development involving a prospective change or amendment in or affecting, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;
- (xii) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any application form or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (xiii) the chief executive officer of the Company or any executive Director vacating his office other than as set forth in this prospectus;
- (xiv) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking directorship position of a company;
- (xv) a valid demand by creditors for repayment of any material indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;
- (xvi) an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager

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over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;

- (xvii) any litigation, legal action or claim or regulatory investigation or action being instigated against any member of the Group or any of their respective directors;
- (xviii) any contravention by any member of the Group or any of the Directors of any applicable laws and regulations or the Listing Rules; or
- (xix) any non-compliance of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;

which, individually or in the aggregate, in the sole opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

- (i) has or will or is likely to have a material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations, management, prospects of the Group, taken as a whole (the “Material Adverse Change”);
 - (ii) makes or will make or is likely to make it inadvisable or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined below); or
 - (iii) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors and the Joint Representatives that:
- (i) any statement contained in the Offering Documents, announcements published on the website of the Stock Exchange, the PHIP (as defined in the Listing Rules), and any notices, press release, investor communication materials, roadshow materials or other documents relating to or connected with the Global Offering which have been authorized by the Company, and any amendments or supplements thereto that have been authorized by the Company (in each case, whether or not approved by the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of them) but excluding factual information solely relating to the Underwriters, it being understood that such information consists of only their names, logos and addresses) (collectively, the “Offer

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Related Documents”) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respects or misleading or deceptive, in light of circumstances under which it was made;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents;
- (iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement (including any supplement or amendment thereto);
- (iv) there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement;
- (v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;
- (vi) there is any Material Adverse Change, or development involving a prospective Material Adverse Change;
- (vii) the approval of the Listing Committee of the listing of, and permission to deal in, (i) the Class A ordinary shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), (ii) the Class A ordinary shares to be converted upon the completion of the Global Offering, and may be converted, from Class B ordinary shares, or (iii) the Class A ordinary shares to be converted from Class C ordinary shares upon the completion of the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld in writing;
- (viii) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

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Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Hong Kong Stock Exchange that we will not exercise our power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange, the Company and the Joint Sponsors that, except pursuant to the Global Offering (including the Over-allotment Option), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (i) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

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The Company will inform the Hong Kong Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company undertakes to each of the Joint Sponsors and the Joint Representatives (for themselves only) that, except for (a) the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option), (b) the grant of restricted share units pursuant to the 2019 Equity Incentive Plan and the issue and delivery of Class A ordinary shares for satisfying the restricted share units by the Company, (c) the issue of Class A ordinary shares to be converted from the Class B ordinary shares and Class C ordinary shares on the Listing Date, (d) any capitalisation issue, capital reduction or consolidation or sub-division of shares; and (e) registration and issuance of ADSs and American depositary receipts without enlarging the Company's issued and outstanding share capital as at the date of the Hong Kong Underwriting Agreement, the Company will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves only) and unless in compliance with the Listing Rules, at any time during the period commencing on the date hereof and ending on the last date of the First Six-Month Period:

- (a) offer, allot, issue, sell, accept subscription for, contract or agree to allot, issue or sell, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Class A ordinary shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Class A ordinary shares or other securities of the Company); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Class A ordinary shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Class A ordinary shares or other securities of the Company); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of the Class A ordinary shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Class A ordinary shares or other securities of the Company will be completed within

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the First Six-Month Period). For the avoidance of doubt, paragraph (a) above shall not apply to any issue of debt securities by the Company which are not convertible into equity securities of the Company or of any other member of the Group or any transfer or sales of existing Class A ordinary shares registered on any register of members of the Company as of the date of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering — The International Offering.”

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 12,750,000 Offer Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the International Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See “Structure of the Global Offering — Over-allotment Option.”

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission equal to 1.05%, and an incentive fee of up to 0.3%, in each case, of the aggregate Public Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any unsubscribed Hong Kong Offer Shares reallocated to the International Offering), out of which they will pay any sub-underwriting commissions and other fees.

The International Underwriters are expected to receive an underwriting commission equal to 1.05%, and an incentive fee of up to 0.3%, in each case, of the aggregate International Offer Price in respect of all the International Offer Shares (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, any International Offer Shares reallocated to the Hong Kong Public Offering and any Offer Shares to be issued by us pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The aggregate maximum underwriting commissions and fees payable to the Underwriters in relation to the Global Offering (assuming an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, the full payment of incentive fees and the exercise of the Over-allotment Option in full) will be approximately HK\$238 million.

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The aggregate maximum underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, SEC registration fees, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$290.9 million (assuming an indicative offer price of HK\$180.00 per Offer Share for both the Hong Kong Public Offering and the International Offering, the full payment of incentive fees and the exercise of the Over-allotment Option in full) and will be paid by us.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to the Class A ordinary shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Class A ordinary shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Class A ordinary shares (which financing may be secured by the Class A ordinary shares) in the Global Offering, proprietary trading in the Class A ordinary shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Class A ordinary shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Class A ordinary shares, which may have a negative impact on the trading price of the Class A ordinary shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Class A ordinary shares, in baskets of securities or indices including the Class A ordinary shares, in units of funds that may purchase the Class A ordinary shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Class A ordinary shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Class A ordinary shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Class A ordinary shares, the liquidity or trading volume in the Class A ordinary shares and the volatility of the price of the Class A ordinary shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and certain of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Class A ordinary shares on the Main Board of the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Class A ordinary shares in issue and to be issued as mentioned in this prospectus.

85,000,000 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 4,250,000 Offer Shares (subject to reallocation) in Hong Kong as described in “— The Hong Kong Public Offering” below; and
- the International Offering of initially 80,750,000 Offer Shares (subject to reallocation and the Over-allotment Option) pursuant to the registration statement on Form F-1, as amended, that was filed with the SEC on June 23, 2021, including the preliminary prospectus dated June 24, 2021 and the final prospectus to be filed with the SEC on or about June 30, 2021.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 5.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the 2019 Equity Incentive Plan. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.7% of the total Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares to be issued pursuant to the 2019 Equity Incentive Plan).

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 4,250,000 Offer Shares for subscription by the public in Hong Kong at the Public Offer Price, representing 5.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.3% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the 2019 Equity Incentive Plan).

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “– Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Public Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,125,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

STRUCTURE OF THE GLOBAL OFFERING

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 6,375,000 Offer Shares (in the case of (a)), 8,500,000 Offer Shares (in the case of (b)) and 17,000,000 Offer Shares (in the case of (c)), representing 7.5%, 10.0% and 20.0% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering at the discretion of the Joint Representatives. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such allocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the number of Offer Shares initially available to the Hong Kong Public Offering (i.e. 8,500,000 Offer Shares, representing 10.0% of the total number of Offer Shares initially available under the Global Offering).

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Hong Kong Public Offering, which is expected to be published on July 6, 2021.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Public Offer Price of HK\$180.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$18,181.39 for one board lot of 100 Offer Shares. If the Public Offer Price, as finally determined in the manner described in “– Pricing and Allocation” below, is less than the maximum Public Offer Price of

STRUCTURE OF THE GLOBAL OFFERING

HK\$180.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 80,750,000 Offer Shares offered by us (subject to reallocation and the Over-allotment Option), representing 95.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 4.8% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the 2019 Equity Incentive Plan).

Allocation

The International Offering includes the U.S. offering of the Offer Shares in the United States as well as the non-U.S. offering to institutional and professional investors and other investors in jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our benefit and the benefit of the Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 12,750,000 Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the International Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.7% of the total Shares in issue immediately following the completion of the Global Offering without taking into account the Shares to be issued pursuant to the 2019 Equity Incentive Plan. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the public offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Class A ordinary shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Class A ordinary shares, (b) selling or agreeing to sell the Class A ordinary shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Class A ordinary shares, (c) purchasing, or agreeing to purchase, the Class A ordinary shares pursuant to the Over-allotment Option in order to close out any position established under paragraph

STRUCTURE OF THE GLOBAL OFFERING

(a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Class A ordinary shares for the sole purpose of preventing or minimizing any reduction in the market price of the Class A ordinary shares, (e) selling or agreeing to sell any Class A ordinary shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Class A ordinary shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Class A ordinary shares;
- no stabilizing action can be taken to support the price of the Class A ordinary shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Friday, July 30, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Class A ordinary shares, and therefore the price of the Class A ordinary shares, could fall;
- the price of the Class A ordinary shares cannot be assured to stay at or above the Public Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Public Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In addition, stabilization transactions with respect to the ADSs may be effected by one of the Underwriters or its affiliates before and after the listing of the Class A ordinary shares on the Hong Kong Stock Exchange in accordance with applicable laws and regulations.

Over-Allocation

Following any over-allocation of Class A ordinary shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, using Class A ordinary shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Public Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

To cover any over-allocation of Class A ordinary shares in connection with the Global Offering, J.P. Morgan Securities plc may choose to borrow up to 12,750,000 Class A ordinary shares (being the maximum number of Class A ordinary shares which may be issued pursuant to the exercise of the Over-allotment Option) from Quack Holding Limited, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between J.P. Morgan Securities plc and Quack Holding Limited on or about the Price Determination Date.

The same number of Class A ordinary shares so borrowed must be returned to Quack Holding Limited or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Quack Holding Limited by J.P. Morgan Securities plc (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or about Wednesday, June 30, 2021 and, in any event, no later than Tuesday, July 6, 2021, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Public Offer Price will be determined by reference to, among other factors, the closing price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date, and the Public Offer Price will not be more than HK\$180.00 per Hong Kong Offer Share. The historical prices of our ADSs and trading volume on the NYSE are set out below.

<u>Period⁽¹⁾</u>	<u>High</u> <u>(US\$)</u>	<u>Low</u> <u>(US\$)</u>	<u>ADTV</u> <u>(ADSs)⁽²⁾</u>
From August 27, 2020 to December 31, 2020	74.49	17.11	25,414,208
Fiscal year of 2021 (up to the Latest Practicable Date)	60.04	22.73	18,572,262

Notes:

- (1) We have not declared or paid any dividends on our ADSs or Shares since our inception and up to the Latest Practicable Date, including the periods presented.
- (2) Average daily trading volume ("ADTV") represents daily average number of our ADSs traded over the relevant period.

Applicants under the Hong Kong Public Offering must pay, on application, the maximum Public Offer Price of HK\$180.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong

STRUCTURE OF THE GLOBAL OFFERING

Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK\$18,181.39 for one board lot of 100 Offer Shares.

The International Offer Price may be set at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process.

If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Hong Kong Stock Exchange at www.xiaopeng.com and www.hkexnews.hk, respectively, notice of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering, extend the period under which the Hong Kong Public Offering is opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions. Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is so reduced, applicants under the Hong Kong Public Offering who have already submitted an application will need to positively confirm their applications and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of

STRUCTURE OF THE GLOBAL OFFERING

any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

Announcement of Final Pricing of the Offer Shares

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — D. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company agreeing on the pricing of the Offer Shares.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Class A ordinary shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- the pricing of the Offer Shares having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Hong Kong Stock Exchange at www.xiaopeng.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – F. Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, July 7, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE CLASS A ORDINARY SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, July 7, 2021, it is expected that dealings in the Class A ordinary shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, July 7, 2021.

The Class A ordinary shares will be traded in board lots of 100 Class A ordinary shares each and the stock code of the Class A ordinary shares will be 9868.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.xiaopeng.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 from 9:00 a.m. to 9:00 p.m. on Friday, June 25, 2021, Monday, June 28, 2021 and Tuesday, June 29, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 26, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 30, 2021.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Representatives, the **HK eIPO White Form** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Joint Representatives, as our agents, may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange (details of the relevant waivers are set out in the section headed "Waivers from Strict Compliance with the Listing Rules"), you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares in the Company and/or a substantial shareholder of any of our subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you are a Director or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Hong Kong Listing Rules) of any of the above persons;
- you are a connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Memorandum and Articles of Association, the Companies (WUMP) Ordinance and Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the “**Relevant Persons**”), and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that we, our Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
100	18,181.39	2,000	363,627.72	30,000	5,454,415.80	400,000	72,725,544.00
200	36,362.77	3,000	545,441.58	40,000	7,272,554.40	500,000	90,906,930.00
300	54,544.16	4,000	727,255.44	50,000	9,090,693.00	600,000	109,088,316.00
400	72,725.54	5,000	909,069.30	60,000	10,908,831.60	700,000	127,269,702.00
500	90,906.93	6,000	1,090,883.16	70,000	12,726,970.20	800,000	145,451,088.00
600	109,088.32	7,000	1,272,697.02	80,000	14,545,108.80	900,000	163,632,474.00
700	127,269.70	8,000	1,454,510.88	90,000	16,363,247.40	1,000,000	181,813,860.00
800	145,451.09	9,000	1,636,324.74	100,000	18,181,386.00	2,000,000	363,627,720.00
900	163,632.47	10,000	1,818,138.60	200,000	36,362,772.00	2,125,000 ⁽¹⁾	386,354,452.50
1,000	181,813.86	20,000	3,636,277.20	300,000	54,544,158.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in “– Who Can Apply” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the **IPO App** or the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

If you have any question on how to apply through the **HK eIPO White Form** service for Hong Kong Offer Shares, you may call the enquiry hotline of the Hong Kong Share Registrar at +852 3907 7333 which is available from 9:00 a.m. to 9:00 p.m. on Friday, June 25, 2021, Monday, June 28, 2021 and Tuesday, June 29, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 26, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 30, 2021.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, June 25, 2021 until 11:30 a.m. on Wednesday, June 30, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 30, 2021, the last day for applications, or such later time as described in “– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Joint Representatives and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

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- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that we, our directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

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- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with our Memorandum and Articles of Association, the Companies (WUMP) Ordinance and Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Public Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Public Offer Price is less than the maximum Public Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, June 25, 2021 – 9:00 a.m. to 8:30 p.m.
Monday, June 28, 2021 – 8:00 a.m. to 8:30 p.m.
Tuesday, June 29, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, June 30, 2021 – 8:00 a.m. to 12:00 noon

Note:

¹ The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 25, 2021 until 12:00 noon on Wednesday, June 30, 2021 (24 hours daily, except on Wednesday, June 30, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 30, 2021, the last day for applications, or such later time as described in “— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

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Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Register of Members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data

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were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, our Directors, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, June 30, 2021, the last day for applications, or such later time as described in “– C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

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For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Public Offer Price is HK\$180.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$18,181.39.

You must pay the maximum Public Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 100 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “– A. Applications for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers.”

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

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For further details on the Public Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 30, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, June 30, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made on our website at www.xiaopeng.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

D. PUBLICATION OF RESULTS

We expect to announce the pricing of the Offer Shares on Wednesday, June 30, 2021 on our website at www.xiaopeng.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, July 6, 2021 on our website at www.xiaopeng.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our website and the website of Hong Kong Stock Exchange at www.xiaopeng.com and www.hkexnews.hk, respectively, by no later than Tuesday, July 6, 2021;
- from “IPO Results” function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Tuesday, July 6, 2021 to 12:00 midnight on Monday, July 12, 2021; and

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- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, July 6, 2021 to Friday, July 9, 2021 on a business day (excluding Saturday, Sunday and public holidays).

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

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If we or our agents exercise discretion to reject your application:

We, the Joint Representatives, the **HK eIPO White Form** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Class A ordinary shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at www.hkeipo.hk;
- you apply for more than 2,125,000 Hong Kong Offer Shares, being 50% of the 4,250,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- we or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Public Offer Price as finally determined is less than the maximum Public Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering – Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Tuesday, July 6, 2021.

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G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS eIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Tuesday, July 6, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, July 7, 2021, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

- *If you apply through the **HK eIPO White Form** service:*
 - If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 6, 2021, or any other place or date notified by us as the date of dispatch or collection of Share certificates.
 - If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
 - If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, July 6, 2021 by ordinary post and at your own risk.
 - If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

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- *If you apply through CCASS EIPO service:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, July 6, 2021 or on any other date determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "– Publication of Results" above on Tuesday, July 6, 2021. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, July 6, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, July 6, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Public Offer Price and the maximum Public Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, July 6, 2021.

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H. ADMISSION OF THE CLASS A ORDINARY SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Class A ordinary shares and we comply with the stock admission requirements of HKSCC, the Class A ordinary shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class A ordinary shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Class A ordinary shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XPENG INC. AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED AND MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

We report on the historical financial information of XPeng Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-107, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020 and March 31, 2021, the company balance sheets as at December 31, 2018, 2019 and 2020 and March 31, 2021, and the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' (deficit) equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-107 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 25, 2021 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018, 2019 and 2020 and March 31, 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and March 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' (deficit) equity and the consolidated statements of cash flows for the three months ended March 31, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation set out in Note II.2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note II.2(ae) to the Historical Financial Information which states that no dividends have been paid by XPeng Inc. in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, June 25, 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on previously issued consolidated financial statements of the Group for the years ended December 31, 2018, 2019 and 2020 and the unaudited condensed financial information of the Group for the three months ended March 31, 2021. The previously issued consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") ("Historical Financial Statements"). The previously issued consolidated financial statements of the Group for the years ended December 31, 2018, 2019 and 2020 were audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and were published on the website of the Securities and Exchange Commission of the United States pursuant to the regulatory requirement as set out in Rule 101(a) of Regulation S-T.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018, 2019 AND 2020 AND
MARCH 31, 2021**

(All amounts in thousands, except for share and per share data)

		As of December 31,			As of March 31,
	Note	2018	2019	2020	2021
		RMB	RMB	RMB	RMB
ASSETS					
Current assets					
Cash and cash equivalents	2(g)	1,626,878	1,946,931	29,209,388	31,061,085
Restricted cash	2(h)	4,647	460,812	2,332,145	1,779,251
Short-term deposits	2(i)	759,975	—	979,897	988,711
Short-term investments	2(l), 5	2,246,272	407,844	2,820,711	1,468,158
Accounts receivable, net	6	38,393	539,199	1,128,892	1,374,655
Current portion of finance lease receivables, net	17(b)	—	45,836	156,069	253,951
Inventory	7	169,326	454,116	1,343,025	1,933,180
Amounts due from related parties		26,956	22,605	682	588
Prepayments and other current assets	8	1,236,596	1,083,307	1,603,286	1,788,035
Derivative assets	5	—	—	105,183	—
Total current assets		6,109,043	4,960,650	39,679,278	40,647,614
Non-current assets					
Long-term deposits	2(j)	—	—	—	903,781
Property, plant and equipment, net	9	863,357	3,229,952	3,081,502	3,174,344
Right-of-use assets	17(a)	342,123	440,097	461,184	662,268
Intangible assets, net	10	48,853	117,932	607,781	604,006
Land use rights, net	11	260,580	255,257	249,934	382,307
Finance lease receivables, net	17(b)	—	109,965	397,467	684,053
Other non-current assets	12	49,232	137,512	228,633	86,805
Long-term investments	2(q)	—	—	1,000	25,551
Total non-current assets		1,564,145	4,290,715	5,027,501	6,523,115
Total assets		7,673,188	9,251,365	44,706,779	47,170,729
LIABILITIES					
Current liabilities					
Short-term borrowings	15	200,000	419,950	127,900	7,900
Accounts and notes payable	13	214,893	953,946	5,111,745	5,897,486
Amounts due to related parties		—	678	12,062	13,829
Current portion of lease liabilities	17(a)	83,582	90,740	119,565	172,481
Current portion of deferred revenue	19	1,565	16,382	163,617	126,552
Current portion of long-term borrowings	15	—	60,000	45,000	—
Accruals and other liabilities	14	472,946	1,755,995	2,256,165	2,838,829
Income taxes payable		—	—	1,209	—
Derivative liabilities	5	—	—	—	8,798
Total current liabilities		972,986	3,297,691	7,837,263	9,065,875

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018, 2019 AND 2020 AND MARCH 31, 2021 (CONTINUED)

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,			As of
		2018	2019	2020	March 31,
		RMB	RMB	RMB	2021
					RMB
Non-current liabilities					
Long-term borrowings	15	1,000,000	1,690,000	1,645,000	1,600,000
Lease liabilities	17(a)	267,356	361,404	352,501	490,560
Deferred revenue	19	801	69,116	144,767	206,924
Derivative liabilities	5	637,015	897,091	—	—
Other non-current liabilities	16	782	73,015	297,439	1,972,754
Total non-current liabilities		1,905,954	3,090,626	2,439,707	4,270,238
Total liabilities		2,878,940	6,388,317	10,276,970	13,336,113
Commitments and contingencies	27				
MEZZANINE EQUITY					
Series A convertible redeemable preferred shares ("Series A Preferred Shares") (US\$0.00001 par value; 78,108,625, 78,108,625, nil and nil shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB549,146, RMB615,044, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	532,353	597,559	—	—
Series A1 convertible redeemable preferred shares ("Series A1 Preferred Shares") (US\$0.00001 par value; 67,802,375, 67,802,375, nil and nil shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB514,401, RMB576,129, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	498,581	559,654	—	—
Series A2 convertible redeemable preferred shares ("Series A2 Preferred Shares") (US\$0.00001 par value; 11,671,400, 11,671,400, nil and nil shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB111,825, RMB125,244, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	108,002	121,257	—	—
Series B convertible redeemable preferred shares ("Series B Preferred Shares") (US\$0.00001 par value; 160,481,700, 160,481,700, nil and nil shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB2,399,821, RMB2,687,801, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	2,274,403	2,562,098	—	—
Series B1 convertible redeemable preferred shares ("Series B1 Preferred Shares") (US\$0.00001 par value; 137,868,350, 137,868,350, nil and nil shares authorized, 133,272,750, 133,272,750, nil and nil shares issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB3,040,143, RMB3,404,960, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	2,685,499	3,080,443	—	—
Series B2 convertible redeemable preferred shares ("Series B2 Preferred Shares") (US\$0.00001 par value; 35,965,675, 35,965,675, nil and nil shares authorized, 38,163,575, 35,965,675, nil and nil shares issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of RMB1,001,152, RMB1,056,715, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	880,635	952,068	—	—

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018, 2019 AND 2020 AND MARCH 31, 2021 (CONTINUED)

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,			As of
		2018	2019	2020	March 31,
		RMB	RMB	RMB	2021
Series C convertible redeemable preferred shares ("Series C Preferred Shares") (US\$0.00001 par value; 265,302,225, 265,302,225, nil and nil shares authorized, nil, 79,590,650, nil and nil shares issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021; redemption value of nil, RMB2,111,790, nil and nil as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	21	—	1,820,399	—	—
Total mezzanine equity		<u>6,979,473</u>	<u>9,693,478</u>	<u>—</u>	<u>—</u>
SHAREHOLDERS' (DEFICIT) EQUITY					
Ordinary shares (US\$0.00001 par value; 4,242,799,650, nil, nil and nil shares authorized, 463,189,950, nil, nil and nil shares issued, 349,414,050, nil, nil and nil shares outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	22	21	—	—	—
Class A Ordinary shares (US\$0.00001 par value; nil, 3,492,799,650, 8,850,000,000 and 8,850,000,000 shares authorized, nil, 131,955,575, 971,341,066 and 1,004,589,462 shares issued, nil, 31,513,000, 928,296,786 and 978,658,510 shares outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	22	—	2	63	66
Class B Ordinary shares (US\$0.00001 par value, nil, 750,000,000, 750,000,000 and 750,000,000 shares authorized, nil, 331,234,375, 429,846,136 and 429,846,136 shares issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	22	—	19	26	26
Class C Ordinary shares (US\$0.00001 par value, nil, nil, 400,000,000 and 400,000,000 shares authorized, nil, nil, 178,618,464 and 178,618,464 shares issued and outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively)	22	—	—	12	12
Additional paid-in capital		—	—	46,482,512	46,572,785
Accumulated deficit		(2,182,266)	(6,824,503)	(11,322,423)	(12,108,984)
Accumulated other comprehensive loss		(2,980)	(5,948)	(730,381)	(629,289)
Total shareholders' (deficit) equity		<u>(2,185,225)</u>	<u>(6,830,430)</u>	<u>34,429,809</u>	<u>33,834,616</u>
Total liabilities, mezzanine equity and shareholders' (deficit) equity		<u>7,673,188</u>	<u>9,251,365</u>	<u>44,706,779</u>	<u>47,170,729</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS
ENDED MARCH 31, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

		For the Year Ended December 31,			For the Three Months Ended March 31,	
	Note	2018	2019	2020	2020	2021
		RMB	RMB	RMB	RMB	RMB
					(Unaudited)	
Revenues						
Vehicle sales	18	4,153	2,171,231	5,546,754	372,151	2,810,347
Services and others	18	5,553	149,988	297,567	39,918	140,579
Total revenues		9,706	2,321,219	5,844,321	412,069	2,950,926
Cost of sales						
Vehicle sales		(8,220)	(2,733,531)	(5,350,479)	(391,736)	(2,525,808)
Services and others		(3,847)	(145,829)	(227,853)	(40,206)	(95,277)
Total cost of sales		(12,067)	(2,879,360)	(5,578,332)	(431,942)	(2,621,085)
Gross (loss) profit		(2,361)	(558,141)	265,989	(19,873)	329,841
Operating expenses⁽¹⁾						
Research and development expenses	2(v)	(1,051,219)	(2,070,158)	(1,725,906)	(310,782)	(535,114)
Selling, general and administrative expenses	2(w)	(642,541)	(1,164,569)	(2,920,649)	(321,825)	(720,821)
Total operating expenses		(1,693,760)	(3,234,727)	(4,646,555)	(632,607)	(1,255,935)
Other income		1,487	12,294	86,830	3,197	22,161
Loss from operations		(1,694,634)	(3,780,574)	(4,293,736)	(649,283)	(903,933)
Interest income		65,376	88,843	133,036	10,658	135,102
Interest expenses		(5,822)	(32,017)	(22,451)	(8,278)	(1,142)
Fair value gain (loss) on derivative assets/ liabilities		254,361	27,679	1,362,025	(4,968)	(1,808)
Other non-operating (loss) income, net		(18,104)	4,397	90,364	2,110	(14,780)
Loss before income tax expenses		(1,398,823)	(3,691,672)	(2,730,762)	(649,761)	(786,561)
Income tax expenses	24(a)	–	(1)	(1,223)	–	–
Net loss		(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Accretion on Preferred Shares to redemption value		(705,329)	(961,050)	(2,157,744)	(285,293)	–
Deemed dividend due to extinguishment of Preferred Shares		(43,136)	–	–	–	–
Deemed dividend due to modification of Preferred Shares		(41,485)	–	–	–	–
Deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares		(66,091)	–	–	–	–
Deemed contribution from repurchase of Preferred Shares		–	9,969	–	–	–
Net loss attributable to ordinary shareholders of XPeng Inc.		(2,254,864)	(4,642,754)	(4,889,729)	(935,054)	(786,561)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS
ENDED MARCH 31, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

	<i>Note</i>	For the Year Ended December 31,			For the Three Months Ended March 31,	
		2018	2019	2020	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
					<i>(Unaudited)</i>	
Net loss		(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Other comprehensive loss						
Foreign currency translation adjustment, net of nil tax		(2,980)	(2,968)	(724,433)	(11,976)	101,092
Total comprehensive loss attributable to XPeng Inc.		(1,401,803)	(3,694,641)	(3,456,418)	(661,737)	(685,469)
Accretion on Preferred Shares to redemption value		(705,329)	(961,050)	(2,157,744)	(285,293)	—
Deemed dividend due to extinguishment of Preferred Shares		(43,136)	—	—	—	—
Deemed dividend due to modification of Preferred Shares		(41,485)	—	—	—	—
Deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares		(66,091)	—	—	—	—
Deemed contribution from repurchase of Preferred Shares		—	9,969	—	—	—
Comprehensive loss attributable to ordinary shareholders of XPeng Inc.		(2,257,844)	(4,645,722)	(5,614,162)	(947,030)	(685,469)
Weighted average number of ordinary shares used in computing net loss per ordinary share						
Basic and diluted	25	330,176,070	349,450,580	754,270,914	362,747,375	1,586,718,206
Net loss per ordinary share attributable to ordinary shareholders						
Basic and diluted	25	(6.83)	(13.29)	(6.48)	(2.58)	(0.50)

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

		For the Year Ended December 31,			For the Three Months Ended March 31,	
		2018	2019	2020	2020	2021
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
					<i>(Unaudited)</i>	
Selling, general and administrative expenses		1,630	517	678,014	—	39,273
Research and development expenses		—	—	318,403	—	51,003

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021**
(All amounts in thousands, except for share and per share data)

Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Shareholders' Deficit	
	Shares	Par Value RMB	Shares	Par Value RMB	Shares	Par Value RMB	Loss RMB	RMB	Deficit RMB	RMB	Deficit RMB	RMB
Balance as of December 31, 2017	400,061,875	26	(103,240,000)	(7)	363,789	—	—	(403,608)	—	(39,800)	—	(39,800)
Share-based compensation	23	—	—	—	26,666,675	—	—	—	—	—	—	1,630
Issuance of ordinary shares	37,202,575	2	(37,202,575)	(2)	—	—	—	—	—	—	—	—
Accretion on convertible redeemable Preferred Shares to redemption value	21	—	—	—	—	—	(325,494)	—	—	(379,835)	—	(705,329)
Deemed dividend due to extinguishment of Preferred Shares	25	—	—	—	—	—	(43,136)	—	—	—	—	(43,136)
Deemed dividend due to modification of Preferred Shares	25	—	—	—	—	—	(41,485)	—	—	—	—	(41,485)
Reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares	21	25,925,500	2	—	—	—	44,696	—	—	—	—	44,698
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	(2,980)	—	—	—	—	(2,980)
Net loss		—	—	—	—	—	—	—	(1,398,823)	—	—	(1,398,823)
Balance as of December 31, 2018	463,189,950	30	(113,775,900)	(9)	—	—	(2,980)	—	(2,182,266)	—	—	(2,185,225)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Shareholders' Deficit
	Shares	Par Value RMB	Shares	Par Value RMB		RMB	RMB		
Balance as of December 31, 2018									
	463,189,950	30	(113,775,900)	(9)	—	(2,980)	(2,182,266)	(2,185,225)	
23	—	—	13,333,325	—	517	—	—	—	517
21	—	—	—	—	(10,486)	—	(950,564)	(961,050)	
25	—	—	—	—	9,969	—	—	—	9,969
	—	—	—	—	—	(2,968)	—	(2,968)	
	—	—	—	—	—	—	(3,691,673)	(3,691,673)	
Balance as of December 31, 2019									
	463,189,950	30	(100,442,575)	(9)	—	(5,948)	(6,824,503)	(6,830,430)	

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021
(All amounts in thousands, except for share and per share data)

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Shareholders' (Deficit) Equity	
		Shares	Par Value	Shares	Par Value	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2019		463,189,950	30	(100,442,575)	(9)	—	(5,948)	(6,824,503)	(6,830,430)				
Cumulative effect of adoption of new accounting standard	2(k)	—	—	—	—	—	—	—	(2,074)	—	—	(2,074)	—
Repurchase of Ordinary Shares	22	(100,442,575)	(9)	100,442,575	9	—	—	—	—	—	—	—	—
Accretion on Convertible Redeemable Preferred Shares to redemption value as of the completion of the Initial Public Offering ("IPO")	21	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of Ordinary Shares	22	60,687,680	5	(60,687,680)	(5)	—	—	—	—	(1,763,861)	—	(2,157,744)	—
Issuance of Ordinary Shares upon the completion of the IPO	22	229,386,666	16	—	—	—	—	—	—	—	—	11,409,248	—
Issuance of Ordinary Shares upon the completion of the Follow-on Offering ("FO")	22	110,400,000	7	—	—	—	—	—	—	—	—	15,980,227	—
Issuance of Ordinary Shares for the vested Restricted Share Units	22	14,850,560	1	—	—	—	—	—	—	—	—	—	—
Share-based compensation due to vesting of Restricted Shares	23	—	—	17,643,400	1	57,874	—	—	—	—	—	57,875	—
Share-based compensation due to vesting of Restricted Share Units	23	—	—	—	—	—	—	—	—	—	—	544,659	—
The immediate vesting of Restricted Share Units upon grant date	23	—	—	—	—	—	—	—	—	—	—	393,883	—
Conversion of Preferred Shares to Ordinary Shares upon the completion of the IPO	21	801,733,385	55	—	—	—	—	—	—	—	—	18,490,583	—
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(724,433)	—	—	—	(724,433)	—
Net loss		—	—	—	—	—	—	—	—	(2,731,985)	—	(2,731,985)	—
Balance as of December 31, 2020		1,579,805,666	105	(43,044,280)	(4)	46,482,512	(730,381)	(11,322,423)	34,429,809				

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS ENDED MARCH 31, 2020 AND 2021
 (All amounts in thousands, except for share and per share data)

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
		Shares	Par Value RMB	Shares	Par Value RMB				
Balance as of December 31, 2020		1,579,805,666	105	(43,044,280)	(4)	46,482,512	(730,381)	(11,322,423)	34,429,809
Share-based compensation	23	–	–	–	–	90,276	–	–	90,276
Issuance of treasury shares	22	8,121,312	1	(8,121,312)	(1)	–	–	–	–
Issuance of ordinary shares for the vested Restricted Share Units ("RSUs")	22	25,127,084	1	25,234,640	2	(3)	–	–	–
Foreign currency translation adjustment, net of nil tax		–	–	–	–	–	101,092	–	101,092
Net loss		–	–	–	–	–	–	(786,561)	(786,561)
Balance as of March 31, 2021		1,613,054,062	107	(25,930,952)	(3)	46,572,785	(629,289)	(12,108,984)	33,834,616

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Deficit
		Shares	Par Value RMB	Shares	Par Value RMB				
(Unaudited)									
Balance as of December 31, 2019		463,189,950	30	(100,442,575)	(9)	–	(5,948)	(6,824,503)	(6,830,430)
Cumulative effect of adoption of new accounting standard	2(k)	–	–	–	–	–	–	(2,074)	(2,074)
Accretion on convertible redeemable Preferred Shares to redemption value	2l	–	–	–	–	–	–	(285,293)	(285,293)
Foreign currency translation adjustment, net of nil tax		–	–	–	–	–	(11,976)	–	(11,976)
Net loss		–	–	–	–	–	–	(649,761)	(649,761)
Balance as of March 31, 2020		463,189,950	30	(100,442,575)	(9)	–	(17,924)	(7,761,631)	(7,779,534)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS
ENDED MARCH 31, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

Note	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
Cash flows from operating activities					
Net loss	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation of property, plant and equipment	9	53,527	125,453	302,974	38,295
Amortization of intangible assets	10	3,546	7,681	20,169	2,452
Amortization of right-of-use assets		34,500	88,208	109,473	24,929
Amortization of land use right	11	4,058	5,323	5,323	1,331
Loss of disposal of property, plant and equipment	2(n)	30,275	1,191	6,167	527
Impairment of property, plant and equipment	9	–	79,185	63,251	8,516
Impairment of accounts receivable	2(k)	–	3,812	6,216	375
Impairment of finance lease receivables	2(k)	–	833	3,454	187
Impairment of other current assets	2(k)	–	–	369	26
Inventory write-downs	2(m),7	–	109,505	92,612	8,000
Foreign exchange losses (gains)		11,807	(8,363)	(81,181)	(4,463)
Interest income		(55,885)	(66,782)	(65,676)	(1,384)
Share-based compensation	23(b)(c)	1,630	517	996,417	–
Fair value (gain) loss on derivative assets/liabilities		(254,361)	(27,679)	(1,362,025)	4,968
Changes in operating assets and liabilities, net of business acquisition:					
Accounts receivable		(35,390)	(504,618)	(595,908)	(53,895)
Inventory		(137,877)	(394,295)	(981,521)	13,330
Amounts due from related parties		(26,956)	4,351	21,923	(121)
Prepayments and other current assets		(277,651)	(418,103)	(792,863)	(243,065)
Other non-current assets		(24,737)	(5,616)	(30,808)	(410)
Accounts and notes payable		176,817	739,053	4,157,799	(81,195)
Deferred revenue		2,366	83,132	222,886	12,062
Lease liabilities		(4,376)	(84,626)	(108,134)	(18,766)
Accruals and other liabilities		324,815	520,547	722,967	250,819
Other non-current liabilities		–	26,155	266,932	4,159
Finance lease receivables		–	(156,634)	(401,190)	(16,624)
Amounts due to related parties		–	678	11,384	5,662
Income taxes payable		–	–	1,209	–
Net cash used in operating activities		(1,572,715)	(3,562,765)	(139,766)	(694,046)
Cash flows from investing activities					
(Placement) maturities of short-term deposits	2(i)	(759,975)	759,975	(979,897)	–
Placement of long-term deposits		–	–	–	(900,000)
(Placement) maturities of short-term investments		(1,863,447)	1,905,210	(2,347,191)	57,108
Purchase of property, plant and equipment		(770,339)	(1,831,593)	(806,067)	(168,962)
Receipt of government subsidy related to assets		2,007	83,201	243,838	121,813
Purchase of intangible assets		(47,479)	(76,760)	(426,089)	(4,718)
Disposal of property, plant and equipment		489	263	24,505	–
Purchase of land use right		(191,580)	–	–	–
Prepayment for acquisition of assets		–	(100,000)	–	(100,000)
Prepayment for acquisition of land use rights		–	–	(130,260)	–
Disposal of equity investment in a company	10	–	–	16,000	–
Payment for long-term investment		–	–	(1,000)	–
Maturities of derivative assets		–	–	–	112,173
Net cash (used in) provided by investing activities		(3,630,324)	740,296	(4,406,161)	(94,759)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018, 2019 AND 2020 AND THE THREE MONTHS
ENDED MARCH 31, 2020 AND 2021

(All amounts in thousands, except for share and per share data)

		For the Year Ended December 31,			For the Three Months Ended March 31,	
	Note	2018	2019	2020	2020	2021
		RMB	RMB	RMB	RMB	RMB
					(Unaudited)	
Cash flows from financing activities						
Proceeds from issuance of convertible redeemable Preferred Shares		5,854,200	2,678,612	7,282,554	—	—
Proceeds from IPO, net of issuance cost		—	—	11,410,386	—	—
Proceeds from FO, net of issuance cost		—	—	15,988,903	—	—
Proceeds from borrowings		1,200,000	1,620,000	1,028,335	100,000	—
Repayment of borrowings		(320,000)	(748,060)	(1,380,385)	(219,960)	(210,000)
Loans from a related party	26	—	—	1,063,434	1,063,434	—
Repayment of loans to a related party	26	—	—	(1,063,434)	(151,848)	—
Repurchase of Preferred Shares		—	(55,000)	—	—	—
Proceeds from non-controlling interests	14, 16	—	98,010	—	—	1,660,000
Payments of listing expenses		—	—	—	—	(4,322)
Net cash provided by financing activities		6,734,200	3,593,562	34,329,793	791,626	1,445,678
Effects of exchange rate changes on cash, cash equivalents and restricted cash		(14,782)	5,125	(650,076)	(8,876)	82,361
Net increase in cash, cash equivalents and restricted cash		1,516,379	776,218	29,133,790	(6,055)	1,298,803
Cash, cash equivalents and restricted cash at beginning of the year/period		115,146	1,631,525	2,407,743	2,407,743	31,541,533
Cash, cash equivalents and restricted cash at end of the year/period		1,631,525	2,407,743	31,541,533	2,401,688	32,840,336
Supplemental disclosure of cash flows information						
Cash paid for interest, net of amounts capitalized		(29,697)	(26,406)	(76,093)	(8,277)	(22,064)
Acquisition of property, plant and equipment included in liabilities		69,360	762,151	235,117	211,588	99,787

COMPANY BALANCE SHEETS AS OF DECEMBER 31, 2018, 2019 AND 2020 AND MARCH 31, 2021

(All amounts in thousands, except for share and per share data)

		As of December 31,			As of March 31,
	Note	2018	2019	2020	2021
		RMB	RMB	RMB	RMB
ASSETS					
Current assets					
Cash and cash equivalents	2(g)	—	269,169	24,760,588	22,553,656
Restricted cash	2(h)	—	—	114,321	39,339
Short-term deposits	2(i)	—	—	979,897	988,711
Prepayments and other current assets		—	—	12,931	16,720
Derivative assets	5	—	—	105,183	—
Total current assets		—	269,169	25,972,920	23,598,426
Non-current assets					
Investments in subsidiaries and variable interest entities (“VIEs”) and VIEs’ subsidiaries	2(c)	5,431,263	3,490,970	8,471,310	10,258,924
Total non-current assets		5,431,263	3,490,970	8,471,310	10,258,924
Total assets		5,431,263	3,760,139	34,444,230	33,857,350
Liabilities					
Current liabilities					
Accruals and other liabilities		—	—	14,421	13,936
Derivative liabilities	5	—	—	—	8,798
Total current liabilities		—	—	14,421	22,734
Non-current liabilities					
Derivative liabilities	5	637,015	897,091	—	—
Total non-current liabilities		637,015	897,091	—	—
Total liabilities		637,015	897,091	14,421	22,734
MEZZANINE EQUITY					
Series A Preferred Shares	21	532,353	597,559	—	—
Series A1 Preferred Shares	21	498,581	559,654	—	—
Series A2 Preferred Shares	21	108,002	121,257	—	—
Series B Preferred Shares	21	2,274,403	2,562,098	—	—
Series B1 Preferred Shares	21	2,685,499	3,080,443	—	—
Series B2 Preferred Shares	21	880,635	952,068	—	—
Series C Preferred Shares	21	—	1,820,399	—	—
Total mezzanine equity		6,979,473	9,693,478	—	—
SHAREHOLDERS’ (DEFICIT) EQUITY					
Ordinary shares	22	21	—	—	—
Class A Ordinary shares	22	—	2	63	66
Class B Ordinary shares	22	—	19	26	26
Class C Ordinary shares	22	—	—	12	12
Additional paid-in capital		—	—	46,482,512	46,572,785
Accumulated deficit		(2,182,266)	(6,824,503)	(11,322,423)	(12,108,984)
Accumulated other comprehensive loss		(2,980)	(5,948)	(730,381)	(629,289)
Total shareholders’ (deficit) equity		(2,185,225)	(6,830,430)	34,429,809	33,834,616
Total liabilities, mezzanine equity and shareholders’ (deficit) equity		5,431,263	3,760,139	34,444,230	33,857,350

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Organization and Nature of Operations

(a) Principal activities

XPeng Inc. (“XPeng” or the “Company”) was incorporated under the laws of the Cayman Islands in December 27, 2018, as an exempted company with limited liability. The Company, its subsidiaries and consolidated VIE and VIE’s subsidiaries (“VIEs”, also refer to VIE and its subsidiaries as a whole, where appropriate) are collectively referred to as the “Group”.

The Group designs and develops smart electric vehicles. It delivered its first model of smart electric vehicles, the G3, commercially in December 2018. The Group manufactures the G3 through strategic collaboration with a third-party vehicle’s manufacturer. The Group delivered its second model of smart electric vehicles, a four-door sports sedan, the P7, since May 2020. The Group manufactures the P7 through its own manufacturing plant in Zhaoqing. As of December 31, 2018, 2019 and 2020 and March 31, 2021, its primary operations are conducted in the People’s Republic of China (“PRC”).

(b) History of the Group and Reorganization

The Group commenced its operation through Guangzhou Chengxing Zhidong Automotive Technology Co., Ltd. (“Chengxing”) since 2015. Chengxing was founded by Mr. Heng Xia, Mr. Tao He and Mr. Xiaopeng He (collectively the “Founders”), and subsequently obtained financing from various third party investors (collectively “Third Party Investors”) from 2016 through 2018.

In preparation for its IPO, the Group completed a reorganization (the “Reorganization”) in September 2019, which involved the following steps:

- On December 27, 2018, the Company was established under the laws of the Cayman Islands as an exempted company with limited liability.
- On January 7, 2019, XPeng Limited was incorporated in the British Virgin Islands as a wholly owned subsidiary of the Company.
- On February 21, 2019, XPeng (HK) Limited was incorporated in Hong Kong as a wholly owned subsidiary of XPeng Limited.
- On June 21, 2019, Guangdong Xiaopeng Motors Technology Co., Ltd. (“WFOE”) was established as a wholly owned subsidiary of XPeng (HK) Limited in the PRC.
- On September 2019, the Company issued 17,897,478 ordinary shares, 2,021,635 Series A Preferred Shares, 1,859,082 Series A1 Preferred Shares, 23,343 Series A2 Preferred Shares, 3,198,839 Series B Preferred Shares, 4,361,678 Series B1 Preferred Shares, 1,045,497 Series B2 Preferred Shares, 3,183,626 Series C Preferred Shares and 7,612,147 warrants in aggregate, to the existing shareholders of Chengxing, based on their respective equity interests in Chengxing. Concurrently, as a transitional arrangement and part of the Reorganization, a series of

contractual agreements were entered into among WFOE, Chengxing and its existing shareholders, including the exclusive business cooperation agreement, the equity pledge agreement, the exclusive option agreement and the power of attorney. Consequently, WFOE became the primary beneficiary of Chengxing. In May 2020, Guangdong Xiaopeng Motors Technology Co., Ltd exercised its rights under the contractual arrangement and purchased 100% of Chengxing. Consequently, Chengxing became an indirect wholly owned subsidiary of XPeng Inc..

The equity interests held by the existing shareholders in the Company after the Reorganization are the same as the equity interests held by them in Chengxing before the Reorganization. Out of the equity interests issued, 43.44%, 38.09% and 18.47% were in the form of ordinary shares, Preferred Shares and warrants, respectively.

Prior to the Reorganization, the shareholders of Chengxing included individual shareholders and institutional shareholders. Pursuant to laws applicable to PRC residents and entities incorporated in the PRC, PRC individuals should complete registration of its outbound investments (i.e. the foreign exchange registration under State Administration of Foreign Exchange ("SAFE") Circular 37), and PRC institutional investors should complete its statutory filings and foreign exchange registrations for outbound investment (i.e. ODI), respectively, before such PRC residents or entities' can legally own offshore investments or equity interests in offshore entities. As such, all PRC individual shareholders and PRC institutional shareholders of Chengxing shall complete their relevant registrations and/or statutory filings, as appropriate, before they can, in accordance with applicable PRC laws, hold directly or indirectly the ordinary shares of the Company, which is incorporated under the laws of the Cayman Islands. The warrants are to reflect the holder's (indirect) rights, obligations and interest in the Company as if the holders are holding Preferred Shares of the Company before the holders complete their necessary registration for outbound investment to exercise their warrants into Preferred Shares of the Company. Once the holders complete the necessary registration for outbound investment, the holders are required to exercise the warrants immediately at a nil price per share. The warrants are transferrable by the holder subject to approval of the Company's board of directors. Accordingly, the warrants are accounted for and presented based on the terms on the underlying Preferred Shares that the warrants are exercisable into (Note 21).

The shareholders and their respective equity interest in the Company remain the same immediately before and after the Reorganization. Further, the Company, being the holding company after the Reorganization, is a newly established shell company. Accordingly, the Company determined that the Reorganization lacks substance and should be treated as a non-substantive merger with no change in the basis of assets, liabilities and shareholders' deficits of Chengxing.

These consolidated financial statements are presented as if the Group Reorganization had already taken place as of the beginning of the period covered by these financial statements.

On March 20, 2020, the Company completed a 1:25 share split of all of its ordinary and Preferred Shares of the Company. All shares and per share amounts presented in the consolidated financial statements have been retrospectively adjusted to reflect the share split.

In August and December 2020, the Company completed its IPO and FO, respectively on the New York Stock Exchange ("NYSE") (Note 22).

As of December 31, 2018, 2019 and 2020 and March 31, 2021, the Company's principal subsidiaries and VIEs are as follows:

Company name	Country/place and date of incorporation /establishment	Registered/ Issued and paid-up capital ('000)	Attributable equity interest of the Group				Principal activities and place of operation	Statutory auditors		
			December 31,		March 31,			December 31,		
			2018	2019	2020	2021		2018	2019	2020
Principal subsidiaries										
Chengxing ⁽¹⁾	PRC, January 09, 2015	RMB3,222,800	100%	100%	100%	100%	Investment holding in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	Baker Tilly China Certified Public Accountants
Guangzhou Xiaopeng Motors Technology Co., Ltd. ("Xiaopeng Technology")	PRC, May 12, 2016	RMB6,126,316	100%	100%	100%	100%	Design and technology development in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	Baker Tilly China Certified Public Accountants
Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.	PRC, April 07, 2017	RMB150,000	100%	100%	100%	100%	Manufacturing of vehicles in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	N/A
Zhaoping Xiaopeng New Energy Investment Co., Ltd.	PRC, February 02, 2020	RMB1,000,000/ RMB500,000	N/A	N/A	100%	100%	Manufacturing of vehicles in the PRC	N/A	N/A	Baker Tilly China Certified Public Accountants
Zhaoping Xiaopeng Automobile Co., Ltd. ("Zhaoping XPeng")	PRC, May 18, 2017	RMB1,500,000	100%	100%	100%	100%	Manufacturing of vehicles in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	Baker Tilly China Certified Public Accountants
Xiaopeng Automobile Sales Co., Ltd.	PRC, January 08, 2018	RMB1,500,000	100%	100%	100%	100%	Vehicle wholesale and retail in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	Baker Tilly China Certified Public Accountants
Beijing Xiaopeng Automobile Co., Ltd.	PRC, April 28, 2018	RMB50,000	100%	100%	100%	100%	Vehicle wholesale and retail, design and technology development in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	N/A
Shenzhen Xiaopeng Automobile Sales Service Co., Ltd.	PRC, August 06, 2018	RMB50,000	100%	100%	100%	100%	Vehicle wholesale and retail in the PRC	N/A	Baker Tilly China Certified Public Accountants	N/A
Shanghai Xiaopeng Automobile Sales Service Co., Ltd.	PRC, October 10, 2018	RMB10,000	100%	100%	100%	100%	Vehicle wholesale and retail in the PRC	N/A	Baker Tilly China Certified Public Accountants	N/A
Guangzhou Xiaopeng Automatic Driving Technology Co., Ltd	PRC, November 18, 2019	RMB150,000/ RMB108,000	N/A	100%	100%	100%	Technology development in the PRC	N/A	N/A	Baker Tilly China Certified Public Accountants

Company name	Country/place and date of incorporation /establishment	Registered/ Issued and paid-up capital ('000)	Attributable equity interest of the Group				Principal activities and place of operation	Statutory auditors		
			December 31,		March 31,			December 31,		
			2018	2019	2020	2021		2018	2019	2020
Xiaopeng Automobile Service Co., Ltd.	PRC, February 12, 2018	RMB50,000	100%	100%	100%	100%	Administrative center in the PRC	GP Certified public Accountants	Baker Tilly China Certified Public Accountants	N/A
XSense. AI, Inc.	United States, November 27, 2018	US\$100	100%	100%	100%	100%	Technology development in the United States	N/A	N/A	N/A
XMotors. AI, Inc.	United States, January 05, 2018	US\$0.1	100%	100%	100%	100%	Technology development in the United States	N/A	N/A	N/A
XPeng (Hong Kong) Limited	Hong Kong, February 12, 2019	HK\$0.1/ nil	N/A	100%	100%	100%	Investment holding in Hong Kong	N/A	Baker Tilly China Certified Public Accountants	N/A
VIEs										
Guangzhou Zhipeng IoV Technology Co., Ltd. ("Zhipeng IoV")	PRC, May 23, 2018	RMB10,000	100%	100%	100%	100%	Ride-hailing services and operating the related mobile app in the PRC	N/A	N/A	N/A
Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. ("Yidian Chuxing")	PRC, May 24, 2018	RMB10,000	100%	100%	100%	100%	Mobile apps and providing value-added services in the PRC	N/A	N/A	Baker Tilly China Certified Public Accountants

(1) As a transitional arrangement and part of the Reorganization, a series of contractual agreements were entered into among WFOE, Chengxing and its existing shareholders, including the exclusive business cooperation agreement, the equity pledge agreement, the exclusive option agreement and the power of attorney. Consequently, WFOE became the primary beneficiary of Chengxing. In May 2020, Guangdong Xiaopeng Motors Technology Co., Ltd exercised its rights under the contractual arrangement and purchased 100% of Chengxing. Consequently, Chengxing became an indirect wholly owned subsidiary of XPeng Inc..

(2) For the ones not applicable, no audited financial statements were issued for certain companies for the years ended December 31, 2018, 2019 and 2020 as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(3) The English names of the subsidiaries and VIEs represent the best effort by the management of the Company in translating its Chinese names as they do not have official English name.

(c) Variable interest entity

Zhipeng IoV was established by two shareholders of the Company (the “Zhipeng IoV’s Nominee Shareholders”) on May 23, 2018. On May 28, 2018, Xiaopeng Technology, Zhipeng IoV, and Zhipeng IoV’s Nominee Shareholders entered into a series of contractual agreements, including an equity interest pledge agreement, a loan agreement, exclusive service agreement, exclusive call option agreement and power of attorney that irrevocably authorized Xiaopeng Technology to exercise the equity owner’s rights over Zhipeng IoV. These agreements provide the Company, as the only shareholder of Xiaopeng Technology, with effective control over Zhipeng IoV to direct the activities that most significantly impact Zhipeng IoV’s economic performance and enable the Company to obtain substantially all of the economic benefits arising from Zhipeng IoV. Management concluded that Zhipeng IoV is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of Zhipeng IoV and shall consolidate the financial results of Zhipeng IoV in the Group’s consolidated financial statements. As of December 31, 2018, 2019 and 2020 and March 31, 2021, Zhipeng IoV did not have significant operations, nor any material assets or liabilities.

Yidian Chuxing was established by two shareholders of the Company (the “Yidian Chuxing’s Nominee Shareholders”) on May 24, 2018. On May 28, 2018, Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd, (“Xiaopeng Chuxing”), Yidian Chuxing, and Yidian Chuxing’s Nominee Shareholders entered into a series of contractual agreements, including an equity interest pledge agreement, a loan agreement, exclusive service agreement, exclusive call option agreement and power of attorney that irrevocably authorized Xiaopeng Chuxing to exercise the equity owner’s rights over Yidian Chuxing. These agreements provide the Company, as the only shareholder of Xiaopeng Chuxing, with effective control over Yidian Chuxing to direct the activities that most significantly impact Yidian Chuxing’s economic performance and enable the Company to obtain substantially all of the economic benefits arising from Yidian Chuxing. Management concluded that Yidian Chuxing is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of Yidian Chuxing and shall consolidate the financial results of Yidian Chuxing in the Group’s consolidated financial statements. As of December 31, 2018, 2019 and 2020 and March 31, 2021, Yidian Chuxing did not have significant operations, nor any material assets or liabilities.

(d) Liquidity

The Group has been incurring losses from operations since inception. The Group incurred net losses of RMB1,398,823,000, RMB3,691,673,000, RMB2,731,985,000, RMB649,761,000 and RMB786,561,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively. Accumulated deficit amounted to RMB2,182,266,000, RMB6,824,503,000, RMB11,322,423,000 and RMB12,108,984,000 as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Net cash used in operating activities was approximately RMB1,572,715,000, RMB3,562,765,000, RMB139,766,000, RMB694,046,000 and RMB570,916,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

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. In August and December 2020, with the completion of its IPO and FO on NYSE, the Group received the net proceeds of RMB11,410,386,000 and RMB15,988,903,000, respectively. As of March 31, 2021, the Group's balance of cash and cash equivalents, restricted cash, excluding RMB35,400,000 restricted as to withdrawal or use for legal disputes, short-term deposits and short-term investments was RMB35,261,805,000.

Management has concluded, after giving consideration to its plans as noted above, the net proceeds received upon completion of IPO and FO, and existing balance of cash and cash equivalents as of March 31, 2021, that the Group has sufficient funds for sustainable operations and it will be able to meet its payment obligations from operations and debt related commitments for the next twelve months from 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 shareholders and their respective equity interest in the Company remain the same immediately before and after the Reorganization. Further, the Company, being the holding company after the Reorganization, is a newly established shell company. Accordingly, the Company determined that the Reorganization lacks substance and should be treated as a non-substantive merger with no change in the basis of assets, liabilities and shareholders' deficits of Chengxing.

These consolidated financial statements are presented as if the Group Reorganization had already taken place as of the beginning of the period covered by these financial statements.

The consolidated financial statements of the Group have been prepared in accordance with 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 transactions and balances among the Company, its subsidiaries and 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 VIEs that could potentially be significant to the VIEs.

(c) *Investments in Subsidiaries and VIEs*

The Company records its investments in subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323, Investments – Equity Method and Joint Ventures.

(d) *Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, mezzanine equity and related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements primarily include, but are not limited to, the determination of performance obligations and allocation of transaction price to those performance obligations, the determination of warranty cost, lower of cost and net realizable value of inventory, assessment for impairment of long-lived assets and intangible assets, recoverability of receivables, valuation of deferred tax assets, determination of share-based compensation expenses as well as redemption value of the Preferred Shares.

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. Actual results could differ from these estimates.

(e) *Functional currency and foreign currency translation*

The Company uses RMB as its reporting currency. The functional currencies of the Company and its subsidiaries which are incorporated in the United States or in Hong Kong are United States dollars ("US\$"), while the functional currencies of the other subsidiaries and VIEs in the Group are RMB. The determination of the respective functional currency is based on the criteria set out by ASC 830, Foreign Currency Matters.

Transactions denominated in currencies other than in the functional currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency using the applicable exchange rates at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains or losses arising from foreign currency transactions are included in the consolidated statements of comprehensive loss.

The financial statements of the Group's entities of which the functional currency is not RMB are translated from their respective functional currency into RMB. Assets and liabilities denominated in foreign currencies are translated into RMB at the exchange rates at the balance sheet date. Equity accounts other than earnings generated in current period are translated into RMB at the appropriate historical rates. Income and expense items are translated into RMB using the periodic average exchange rates. The resulting foreign currency translation adjustments are recorded in other comprehensive loss in the consolidated statements of comprehensive loss, and the accumulated currency translation adjustments are presented as a component of accumulated other comprehensive loss in the consolidated statements of changes in shareholders' (deficit) equity.

(f) Fair value

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be either recorded or disclosed at fair value, the Group considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level I – Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level II – Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level II valuation techniques.

Level III – Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair value guidance describes three main approaches to measure 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, such as interest rates and currency rates.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, restricted cash, short-term deposits, short-term investments, accounts receivable, finance lease receivables, other assets, accounts and notes payable, short-term borrowings, lease liabilities, accruals and other liabilities and long-term borrowings. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the carrying values of these financial instruments, except for other non-current assets, long-term borrowings and non-current portion for lease liabilities, are approximated to their fair values due to the short-term maturity of these instruments.

Financial assets or liabilities that are measured at fair value on a recurring basis consist of short-term investments and derivative assets or liabilities. All of its short-term investments and derivative assets or liabilities, which are comprised primarily of structured deposits, bank financial products and a forward exchange contract, are classified within Level II of the fair value hierarchy because they are floating income products linked to currency exchange rate, gold and benchmark interest rate. They are not valued using quoted market prices, but can be valued based on other observable inputs, such as interest rates and currency rates. The group has derivative liabilities that are measured at fair value. The derivative liabilities are used to account for the redemption right that met the definition of a derivative and are classified within level III at the fair value hierarchy as the Company adopted the equity allocation model with unobservable inputs for which there little or no market data to determine the fair value.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash on hand, time deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

Cash and cash equivalents as reported in the consolidated statements of cash flows are presented separately on the consolidated balance sheets as follows:

	As of December 31, 2018		As of December 31, 2019		As of December 31, 2020		As of March 31, 2021	
	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)
Cash and cash equivalents:								
RMB	757,032	757,032	772,435	772,435	4,428,120	4,428,120	8,447,075	8,447,075
US\$	126,093	865,317	167,732	1,168,754	3,793,451	24,781,268	3,448,350	22,609,056
Hong Kong dollars ("HK\$")	5,158	4,529	6,418	5,742	—	—	—	—
Euro	—	—	—	—	—	—	644	4,954
Total		<u>1,626,878</u>		<u>1,946,931</u>		<u>29,209,388</u>		<u>31,061,085</u>

Cash and cash equivalents as reported in the company balance sheets are presented separately as follows:

	As of December 31, 2018		As of December 31, 2019		As of December 31, 2020		As of March 31, 2021	
	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)	Amount	RMB equivalent (‘000)
Cash and cash equivalents:								
US\$	—	—	38,629	269,169	3,790,282	24,760,588	3,439,898	22,553,656

As of December 31, 2018, 2019 and 2020 and March 31, 2021, substantially all of the Group's cash and cash equivalents were held in reputable financial institutions located in the PRC, Hong Kong and the United States.

(h) Restricted cash

Restricted cash of the Group primarily represents bank deposits for letter of credit, bank notes and a forward exchange contract amounting to RMB 4,647,000, RMB425,812,000, RMB2,296,560,000 and RMB1,743,851,000 as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. And deposits, amounted to nil, RMB35,000,000, RMB35,585,000 and RMB35,400,000, that are restricted due to legal disputes as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

As of December 31, 2018 and 2019, there was no restricted cash of the Company. As of December 31, 2020 and March 31, 2021, restricted cash of the Company primarily represents a forward exchange contract deposit amounting to RMB114,321,000 and RMB39,339,000, respectively.

(i) Short-term deposits

Short-term deposits of the Group represent time deposits placed with banks with original maturities between three months and one year. Interest earned is recorded as interest income in the consolidated statements of comprehensive loss during the years/periods presented. As of December 31, 2018, substantially all of the Group's short-term deposits amounting to RMB759,975,000 were placed with the reputable financial institutions in Hong Kong. As of December 31, 2019, there was no short-term deposit. As of December 31, 2020 and March 31, 2021, substantially all of the Group's short-term deposits amounting to RMB979,897,000 and RMB988,711,000 are placed in a reputable financial institution in the PRC.

As of December 31, 2018 and 2019, there were no short-term deposits of the Company. As of December 31, 2020 and March 31, 2021, substantially all of the Company's short-term deposits amounting to RMB979,897,000 and RMB988,711,000 are placed in a reputable financial institution in the PRC.

(j) Long-term deposits

Long-term deposits of the Group represent time deposits placed with banks with original maturities more than one year. Interest earned is recorded as interest income in the consolidated statements of comprehensive loss during the years/periods presented. As of March 31, 2021, substantially all of the Group's long-term deposits amounting to RMB903,781,000 are placed in reputable financial institutions in the PRC.

(k) Current expected credit losses

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC Topic 326"), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The Group adopted this ASC Topic 326 and several associated ASUs on January 1, 2020 using a modified retrospective approach with a cumulative-effect increase of RMB2,074,000 recorded in accumulated deficit.

The Group's accounts receivable, other current assets and finance lease receivables are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables, other current assets and finance lease receivables which include size, type of the services or the products the Group provides, 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 customer demographics, 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. This is assessed at each quarter based on the Group's specific facts and circumstances. For the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021, the Group recorded RMB10,039,000, RMB588,000 and RMB4,351,000 expected credit loss expense in selling, general and administrative expenses, respectively. As of

December 31, 2020, the expected credit loss provision for the current and non-current assets are RMB8,220,000 and RMB4,287,000, respectively. As of March 31, 2021, the expected credit loss provision for the current and non-current assets are RMB9,260,000 and RMB7,410,000, respectively.

The Group typically does not carry significant accounts receivable related to vehicle sales and related sales as customer payments are due prior to vehicle delivery, except for amounts of vehicle sales in relation to government subsidy to be collected from government on behalf of customers.

Finance lease receivables primarily consist of the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs. The Group classified its finance lease receivables into different categories from performing to non-performing based on the credit risk of the lessees and the past due days, if any, of the principal and/or interest repayments. As of December 31, 2019 and 2020 and March 31, 2021, the majority of the finance lease receivables are categorized as performing since the customers have a low risk of default, a strong capacity to meet contractual cash flows and have not past due repayments and the amounts of finance lease receivables of other categories are immaterial.

The Group considers historical credit loss rate for each categories of deposits and other receivables and adjusts for forward looking macroeconomic data except for certain long aging receivables for which the debtors failed to make demand repayment and the Group has made specific provision on a case-by-case basis.

The following table summarizes the activity in the allowance for credit losses related to accounts receivable, other current assets and finance lease receivables for the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021:

	For the Year Ended December 31, 2020 and For the Three Months Ended March 31, 2021
	<i>RMB'000</i>
Balance as of December 31, 2019	4,645
Adoption of ASC Topic 326	<u>2,074</u>
Balance as of January 1, 2020	6,719
Current period provision	10,039
Write-offs	<u>(4,251)</u>
Balance as of December 31, 2020	12,507
Current period provision	4,351
Write-offs	<u>(188)</u>
Balance as of March 31, 2021	<u><u>16,670</u></u>

	For the Three Months Ended March 31, 2020
	<i>RMB'000 (Unaudited)</i>
Balance as of December 31, 2019	4,645
Adoption of ASC Topic 326	2,074
Balance as of January 1, 2020	6,719
Current period provision	588
Write-offs	(2,286)
Balance as of March 31, 2020	<u>5,021</u>

(l) Short-term investments

For investments in financial instruments with a variable interest rate indexed to the performance of underlying assets, the Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in fair values are reflected in the consolidated statements of comprehensive loss. The Group's short-term investments in financial instruments were RMB2,246,272,000, RMB407,844,000, RMB2,820,711,000 and RMB1,468,158,000 as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

(m) Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is calculated on the standard cost basis and includes all costs to acquire and other costs to bring the inventories to their present location and condition, which approximates actual cost on monthly weighted average method. The Group records inventory write-downs for excess or obsolete inventories based upon assumptions on current and future demand forecasts. If the inventory on hand is in excess of future demand forecast, the excess amounts are written off. The Group also reviews inventory to determine whether its carrying value exceeds the net amount realizable upon the ultimate sale of the inventory. This requires the determination of the estimated selling price of the vehicles less the estimated cost to convert inventory on hand into a finished product. Once inventory is written-down, a new, lower-cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

No inventory write-downs were recognized for the years ended December 31, 2018. Inventory write-downs of RMB109,505,000 and RMB92,612,000 were recognized in cost of sales for the years ended December 31, 2019 and 2020, respectively. Inventory write-down of RMB8,000,000 and RMB46,525,000 were recognized in cost of sales and research and developments ("R&D") expenses for the three months ended March 31, 2020 and 2021, respectively.

(n) Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Property, plant and equipment are depreciated primarily using the straight-line method over the

estimated useful life of the asset. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful lives, which range from two to ten years, of the related assets. Salvage value rate is determined to 0% based on the economic value of the property, plant and equipment at the end of the estimated useful lives as a percentage of the original cost.

	<u>Estimated useful lives</u>
Buildings	20 years
Machinery and equipment	5 to 10 years
Charging infrastructure	5 years
Vehicles	4 to 5 years
Computer and electronic equipment	3 years
Others	2 to 5 years

Depreciation for mold and tooling is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive life of the related assets.

The cost of maintenance and repairs is expensed as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment is capitalized as additions to the related assets.

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Completed assets are transferred to their respective asset classes and depreciation begins when an asset is ready for its intended use. Interest expense on outstanding debt is capitalized during the period of significant capital asset construction. Capitalized interest expense on construction-in-progress is included within property, plant and equipment and is amortized over the life of the related assets.

The gain or loss on the disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of comprehensive loss. The loss on the disposal of property, plant and equipment amounting to RMB30,275,000, RMB1,191,000, RMB6,167,000, RMB527,000 and RMB480,000 were recognized in operating expenses during the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

(o) *Intangible assets, net*

Intangible assets consist of manufacturing license, license plate, software and license of maintenance and overhauls. Intangible assets with finite lives, including software and license of maintenance and overhaul, 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:

	<u>Estimated useful lives</u>
Software	2 to 10 years
License of maintenance and overhauls	26 months

The Group estimates the useful life of the software to be 2 to 10 years based on the contract terms, expected technical obsolescence and innovations and industry experience of such intangible assets. The Group estimates the useful life of the license of maintenance and overhauls to be 26 months based on the contract terms.

The estimated useful lives of intangible assets with finite lives are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

Intangible assets that have indefinite useful life are manufacturing license and license plate as of December 31, 2020 and March 31, 2021. No useful life was determined in the contract terms when the Group acquired the manufacturing license and license plate. The Group expects that the manufacturing license and license plate are unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. Therefore, the Group considers the useful life of such intangible assets to be indefinite.

The Group evaluates indefinite-lived intangible assets each reporting period to determine whether events and circumstances continue to support indefinite useful lives. The value of indefinite-lived intangible assets is not amortized, but tested for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with ASC 350. The Group first performs a qualitative assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the fair value of the indefinite-lived intangible asset. If after performing the qualitative assessment, the Group determines that it is more likely than not that the indefinite-lived intangible asset is impaired, the Company calculates the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, the Company recognizes an impairment loss in an amount equal to that excess. In consideration of the growing electronic vehicle industry in China, the Group's improving financial performance, the stable macroeconomic conditions in China and the Group's future manufacturing plans, the Company determined that it is not likely that the license plate was impaired as of December 31, 2018, 2019 and 2020 and March 31, 2021 and not likely that the manufacturing license which was newly obtained in May 2020 was impaired as of December 31, 2020 and March 31, 2021. As such, no impairment of indefinite-lived intangible assets was recognized for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021.

(p) Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are 50 years that represent the terms of land use rights certificate.

(q) Long-term investments

The Group's long-term investments include equity investments in entities and equity securities without readily determinable fair values. Investments in entities in which the Group can exercise significant influence and holds an investment in voting common stock or in-substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323, Investments—Equity Method and Joint Ventures ("ASC 323"). Under the equity method, the Group initially records its investments at fair value. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Equity securities without readily determinable fair values and over which the Group has neither significant influence nor control through investments in common stock or in-substance common stock are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

In January 2021, the Group acquired minority preferred equity interests of Guangzhou Huitian Aerospace Technology Co., Ltd. ("Guangzhou Huitian"), a related party of the Group, with a total consideration of RMB24,551,000. The equity interests were not considered to be in-substance common stock as the preferred stock has substantive liquidation preference over the investee's common stock. The investment is not considered as debt securities or equity securities that have readily determinable fair values given that it is a privately held company. Accordingly, the Company elected to account for this investment at cost less impairment, with subsequent adjustments for observable price changes resulting from orderly transactions for identical or similar investments.

(r) Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will affect the future use of the assets) indicate that the carrying amount may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment by comparing carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. Fair value is determined using anticipated cash flows discounted at a rate commensurate with the risk involved.

(s) Warranties

The Group provides a manufacturer's standard warranty on all vehicles sold. The Group accrues a warranty reserve for the vehicles sold by the Group, which includes the Group's best estimate of the projected costs to repair or replace items under warranties and recalls when identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims.

These estimates 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 portion of the warranty reserve expected to be incurred within the next 12 months is included within accruals and other liabilities, while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty expense is recorded as a component of cost of sales in the consolidated statements of comprehensive loss.

The Group considers the standard warranty is not providing incremental service to customers rather an assurance to the quality of the vehicle, and therefore is not a separate performance obligation and should be accounted for in accordance with ASC 460, Guarantees. The Group also provides extended lifetime warranty embedded through a vehicle sales contract. The extended lifetime warranty is likely incremental service provided to the customer to differentiate with other peer companies, as such, the lifetime warranty is a separate performance obligation distinct from other promises and should be accounted for in accordance with ASC 606.

(t) Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred upon delivery to customers. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

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

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

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates overall contract price to each distinct performance obligation based on its relative standalone selling price in accordance with ASC 606. The Group generally determines standalone-selling prices for each individual distinct performance obligation identified based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information, the data utilized, and considering the Group's pricing policies and practices in making pricing decisions. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may affect the revenue recognition. The discount provided in the contract are allocated by the Group to all performance obligations as conditions under ASC 606-10-32-37 are not met.

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. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group's contract liabilities are primarily resulted from the multiple performance obligations identified in the vehicle sales contract, which is recorded as deferred revenue and recognized as revenue based on the consumption of the services or the delivery of the goods.

Vehicle sales

The Group generates revenue from sales of electric vehicles, together with a number of embedded products and services through a contract. The Group identifies the customers who purchase the vehicle as its customers. There are multiple distinct performance obligations explicitly stated in a series of contracts including sales of vehicle, free charging within 4 years or 100,000 kilometers, extended lifetime warranty, option between household charging pile and charging card, vehicle internet connection services, and services of lifetime free charging in XPeng-branded super charging stations and lifetime warranty of battery which are accounted for in accordance with ASC 606. The standard warranty provided by the Group is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when the Group transfers the control of vehicle to a customer.

Car buyers in the PRC are entitled to government subsidies when they purchase electric vehicles. For efficiency purpose and better customer service, the Group or Zhengzhou Haima Automobile Co., Ltd. ("Haima Auto") applies for and collect such government subsidies on behalf of the customers. Accordingly, customers only pay the amount after deducting government subsidies. The Group determined that the government subsidies should be considered as part of the transaction price because the subsidy is granted to the buyer of the electric vehicle and the buyer remains liable for such amount in the event the subsidies were not received by the Group due to the buyer's fault such as refusal or delay of providing application information.

The overall contract price is allocated to each distinct performance obligation based on the relative estimated standalone selling price. The revenue for sales of the vehicle and household charging pile is recognized at a point in time when the control of the vehicle is transferred to the customer and the charging pile is installed at customer's designated location. For vehicle internet connection service, the Group recognizes the revenue using a straight-line method. For the extended lifetime warranty and lifetime warranty of battery, given limited operating history and lack of historical data, the Group decides to

recognize the revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available. For the free charging within 4 years or 100,000 kilometers and charging card to be consumed to exchange for charging services, the Group considers that a measure of progress based on usage (rather than a time-based method) best reflects the performance as it's typically a promise to deliver the underlying service rather than a promise to stand ready. For the services of lifetime free charging in XPeng-branded super charging station, the Group recognize the revenue over time based on straight-line method during the expected useful life of the vehicle.

Initial refundable deposits for intention orders and non-refundable deposits for vehicle reservations received from customers prior to vehicle purchase agreements signed are recognized as refundable deposits from customers (accruals and other liabilities) and advances from customers (accruals and other liabilities). When vehicle purchase agreements are signed, the consideration for the vehicle and all embedded services must be paid in advance, which means the payments received are prior to the transfer of goods or services by the Group, the Group records a contract liability (deferred revenue) for the allocated amount regarding to those unperformed obligations. At the same time, advances from customers are classified as contract liability (deferred revenue) as part of the consideration.

XPILOT, the Group's autonomous driving system, provides assisted driving and parking functions tailored for driving behavior and road conditions in China. The Group rolled out XPILOT 3.0 in January 2021. A customer can subscribe for XPILOT 3.0 by either making a lump sum payment or paying annual installments for a three-year period. XPILOT 3.0 will feature several new functions, including a navigation guided pilot for highway driving and advanced automated parking. Revenue related to XPILOT 3.0 is recognized at a point in time when autonomous driving functionality of XPILOT 3.0 is activated and transferred to the customers.

Other services

The Group provides variable other services to customers including services embedded in a sales contract, super charging service, maintenance service, ride hailing services and vehicle leasing service.

Services embedded in a sales contract may include free charging within 4 years or 100,000 kilometers, extended lifetime warranty, option between household charging pile and charging card, vehicle internet connection services, lifetime warranty of battery and services of free charging services in XPeng-branded charging station. Other services also include super charging service and maintenance service. These services are recognized under ASC 606.

The Group provides ride hailing services with smart commuting solutions to customers by using the Group's self-owned G3 vehicles and hiring and training drivers managed by third party agents via service agreement. The Group believes it acts as a principle in the ride hailing services as it controls a specified good or service before it is transferred to the customers. The revenue for ride hailing services is recognized overtime in a period when the ride hailing services is consumed under ASC 606.

Revenue from vehicle leasing service to customers under operating lease and finance lease are recognized under ASC 842.

Practical expedients and exemptions

The Group follows the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes that lifetime roadside assistance, traffic ticket inquiry service, courtesy car service, on-site troubleshooting and parts replacement service, are not performance obligations considering these services are value-added services to enhance customer experience rather than critical items for vehicle driving and forecasted that usage of these five services will be very limited. The Group also performs an estimation on the stand-alone fair value of each promise applying a cost plus margin approach and concludes that the standalone fair value of foresaid services are insignificant individually and in aggregate, representing less than 1% of vehicle gross selling price and aggregate fair value of each individual promise.

Considering the qualitative assessment and the result of the quantitative estimate, the Group concluded not to assess whether promises are performance obligation if they are immaterial in the context of the contract and the relative stand-alone fair value individually and in aggregate is less than 1% of the contract price, namely the lifetime roadside assistance, traffic ticket inquiry service, courtesy car service, on-site troubleshooting and parts replacement service. Related costs are then accrued instead.

Customer Upgrade Program

In the third quarter of 2019, due to the upgrade of the G3 from 2019 version ("G3 2019") to 2020 version ("G3 2020"), the Group voluntarily offered all owners of G3 2019 model the options to either receive loyalty points, valid for 5 years since the grant date, which can be redeemed for goods or services, or obtain an enhanced trade-in right contingent on a future purchase starting from the 34th month of the original purchase date but only if they purchase a new vehicle from the Group. The owners of G3 2019 model had to choose one of the two options within 30 days after receiving the notice. Anyone who did not make the choice before the date was deemed abandoning the options. At the time the offers were made, the Group still had unfulfilled performance obligations for services to the owners of G3 2019 model associated with their original purchase. The Group considered this offering is to improve the satisfaction of the owners of G3 2019 model but was not the result of any defects or resolving past claims regarding the G3 2019 model.

As both options provide a material right (a significant discount on future goods or services) for no consideration to existing customers with unfulfilled performance obligations, the Group considers this arrangement to be a modification of the existing contracts with customers. Further, as the customers did not pay for the additional rights, the contract modification is accounted for as the termination of the original contract and commencement of a new contract, which will be accounted for prospectively. The material right from the loyalty points or the trade-in right shall be considered in the reallocation of the remaining consideration from the original contracts among the promised goods or services not yet transferred at the date of the contract modification. This reallocation is based on the relative stand-alone selling prices of these various goods and services.

For the material right from loyalty points, the Group estimated the probability of points redemption when determining the stand-alone selling price. Since the fact that most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to customers,

the Group believes it is reasonable to assume all points will be redeemed and no forfeiture is estimated currently. The amount allocated to the points as a separate performance obligation is recorded as a contract liability (deferred revenue) and revenue will be recognized when future goods or services are transferred. The Group will continue to monitor forfeiture rate data and will apply and update the estimated forfeiture rate at each reporting period.

According to the terms of the trade-in program, owners of G3 2019 who elected the trade-in right have the option to trade in their G3 2019 at a fixed predetermined percentage of its original G3 2019 purchase price (the “guaranteed trade-in value”) starting from the 34th month of the original purchase date but only if they purchase a new vehicle from the Group. Such trade-in right is valid for 120 days. That is, if the owner of a G3 2019 does not purchase a new vehicle within that 120-day period, the trade-in right expires. The guaranteed trade-in value will be deducted from the retail selling price of the new vehicle purchase. The customer cannot exercise the trade-in right on a stand-alone basis solely as a function of their original purchase of the G3 2019 and this program, and therefore, the Group does not believe the substance of the program is a repurchase feature that provides the customer with a unilateral right of return. Rather, the trade-in right and purchase of a new vehicle are linked as part of a single transaction to provide a loyalty discount to existing customers. The Group believes the guaranteed trade-in value will be greater than the expected market value of the G3 2019 at the time the trade-in rights become exercisable, and therefore, the excess value is essentially a sales discount on the new vehicle purchase. The Group estimated the potential forfeiture rate based on the market expectation of the possibility of the future buying and applied the forfeiture rate when determining the stand-alone selling price at the date of the contract modification. The amount allocated to the trade-in right as a separate performance obligation is recorded as a contract liability (deferred revenue) and revenue will be recognized when the trade-in right is exercised and a new vehicle is purchased. The Group will continue to reassess the reasonableness of the forfeiture rate applied in the subsequent reporting periods.

(u) Cost of sales

Vehicle

Cost of vehicle revenue includes direct parts, material, labor cost and manufacturing overhead (including depreciation of assets associated with the production) and reserves for estimated warranty expenses. Cost of vehicle revenue also includes charges to write-down the carrying value of the inventories when it exceeds its estimated net realizable value and to provide for on-hand inventories that are either obsolete or in excess of forecasted demand, and impairment charge of property, plant and equipment.

Services and others

Cost of services and others revenue generally includes cost of direct part, material, labor costs, installment costs, costs associated with providing non-warranty after-sales service and depreciation of associated assets used for providing the services.

Cost of ride hailing services revenue also includes agent and service fee paid to third party agents and revenue sharing fee to a third party data supporting entity.

(v) Research and development expenses

All costs associated with R&D are expensed as incurred. R&D expenses consist primarily of employee compensation for those employees engaged in R&D activities, design and development expenses with new technology, materials and supplies and other R&D related expenses. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, R&D expenses were RMB1,051,219,000, RMB2,070,158,000, RMB1,725,906,000, RMB310,782,000 and RMB535,114,000, respectively.

(w) Selling, general and administrative expenses

Sales and marketing expenses consist primarily of employee compensation and marketing, promotional and advertising expenses. Advertising expenses consist primarily of costs for the promotion of corporate image and product marketing. Selling costs are expenses as incurred. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, advertising expenses were RMB58,326,000, RMB168,170,000, RMB517,135,000, RMB41,415,000 and RMB111,724,000, respectively, and total sales and marketing expenses were RMB317,109,000, RMB668,602,000, RMB1,737,765,000, RMB183,069,000 and RMB569,318,000, respectively.

General and administrative expenses consist primarily of employee compensation for employees involved in general corporate functions and those not specifically dedicated to R&D activities, depreciation and amortization expenses, legal, and other professional services fees, lease and other general corporate related expenses. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, general and administrative expenses were RMB325,432,000, RMB495,967,000, RMB1,182,884,000, RMB138,756,000 and RMB151,503,000, respectively.

(x) Employee benefits

Full-time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, work-related injury benefits, maternity insurance, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries and VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB104,201,000, RMB215,046,000, RMB152,361,000, RMB44,618,000 and RMB72,540,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

(y) Government grants

The Group's PRC based subsidiaries received government subsidies from certain local governments. The Group's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has provided for a specific purpose, such as land fulfillment costs and

production and capacity subsidies related to the manufacturing plant construction of Zhaoqing XPeng (“Zhaoqing manufacturing plant”). Other subsidies are the subsidies that the local government has not specified its purpose for and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. The Group recorded specific subsidies as other non-current liabilities when received or reduced interest expense. The specific subsidies are amortized over the depreciation period of associated assets to reduce their depreciation cost. Other subsidies are recognized as other income upon receipt as further performance by the Group is not required.

(z) *Income taxes*

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740, Income Tax. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax basis, and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

Uncertain tax positions

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under other expenses in its consolidated statements of comprehensive loss. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the Group did not have any significant unrecognized uncertain tax positions.

Adoption of ASU 2016-16

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740). This standard requires entities to recognize the income tax consequences of intra-entity transfers of assets other than inventory at the time of transfer. This standard requires a modified retrospective approach to adoption. The Company adopted ASU 2016-16 as of January 1, 2018 using a modified retrospective transition method, no reclassification of prepaid income taxes related to asset transfers that occurred prior to adoption from other current and non-current assets to opening retained earnings. There was no material impact on the Company's consolidated financial statements.

(aa) Share-based compensation

The Group grants RSUs, restricted shares and share options (collectively, “Share-based Awards”) to eligible employees and accounts for share-based compensation in accordance with ASC 718, Compensation—Stock Compensation. Share-based awards are measured at the grant date fair value of the awards and recognized as expenses using graded vesting method or straight-line method, net of estimated forfeitures, if any, over the requisite service period. For awards with performance conditions, the Company would recognize compensation cost if and when it concludes that it is probable that the performance condition will be achieved.

The fair value of the RSUs and restricted shares granted prior to the completion of the IPO were assessed using the income approach/discounted cash flow method, with a discount for lack of marketability given that the shares underlying the awards were not publicly traded at the time of grant. This assessment requires complex and subjective judgments regarding the Company’s projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants were made. The fair value of share options granted prior to the completion of the IPO is estimated on the grant or offering date using the Binomial option-pricing model. The assumptions used in share-based compensation expense recognition represent management’s best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive Share-based Awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company for accounting purposes.

The fair value of the RSUs granted subsequent to the completion of the IPO is estimated based on the fair market value of the underlying ordinary shares of the Company on the date of grant.

Share options granted to employees:

Since 2015, Chengxing has granted options to certain directors, executive officers and employees. The options granted are exercisable only upon the completion of an IPO or change in control.

Share options granted to employees includes both service condition and performance condition. Employees are required to provide continued service through the satisfaction of the occurrence of change of control or an IPO to retain the award since no share option would be vested prior to the occurrence of the Liquidity Event even though the service condition has been satisfied. Given the vesting of the share options granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense to be recognized until the date of consummation of Liquidity Event.

On June 28, 2020, the board of directors of the Company approved the 2019 Equity Incentive Plan (“ESOP Plan”) with 161,462,100 Class A ordinary shares reserved. Options, restricted shares, RSUs, dividend equivalents, share appreciation rights and share payments may be granted under the ESOP Plan.

In June 2020, the Group agreed with the participants to cancel the existing stock options granted during the period between 2015 and the first quarter of 2020 along with a concurrent grant of a replacement RSUs ("Replacement").

Restricted share units granted to employees:

Prior to the completion of the IPO, RSUs granted to employees include both service condition and performance condition. Employees are required to provide continued service through the satisfaction of the occurrence of Liquidity Event to retain the award since no RSU would be vested prior to the occurrence of the Liquidity Event even though the service condition has been satisfied. The Group also granted RSUs in 2020 with only performance condition and the RSUs would be vested upon the occurrence of Liquidity Event. Given the vesting of these two types of RSUs granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense to be recognized until the date of consummation of Liquidity Event. In July 2020, RSUs vested immediately upon grant date were granted to employees and the share-based compensation expense were recognized immediately on the grant date.

Subsequent to the completion of the IPO, the Group granted RSUs with only service condition to employees and the share-based compensation expense were recognized over the vesting period using straight-line method.

Restricted shares granted to two co-founders:

For the years ended December 31, 2018 and 2019, two co-founders have agreed that their founders' shares would be subject to requisite service conditions that shall vest in a certain period. The restricted shares require future requisite service and it does not contain a market or performance condition that must be satisfied before the grant date. Accordingly, no share-based compensation expenses would be recognized prior to the grant date but would be recognized based on the fair value of the shares at the grant date over the requisite service period.

A change in any of the terms or conditions of restricted shares granted to two co-founders is accounted for as a modification of the awards. The cumulative amount of share-based compensation expenses that would be recognized is the original grant-date fair value of the award plus any incremental fair value resulting from the modification. The Group calculates incremental compensation expense 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 at the modification date. For vested restricted shares, the Group recognizes incremental compensation cost in the period when the modification occurs. For restricted shares not being fully vested, the Group recognizes the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original awards over the remaining requisite service period after modification.

As of December 31, 2019, all the restricted shares of two co-founders have been vested.

(ab) Statutory reserve

The Group's subsidiaries and VIEs established in the PRC are required to make appropriations to certain non-distributable reserve funds.

In accordance with the laws applicable to PRC's Foreign Investment Enterprises, the Group's subsidiaries registered as wholly owned foreign enterprises have to 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 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 at the company's discretion.

In addition, in accordance with the Company Laws of the PRC, the VIEs of the Company registered as PRC domestic companies must make appropriations from its after-tax profit as determined under the 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.

The use of the general reserve fund, statutory surplus fund and discretionary surplus fund is restricted to the offsetting of losses or increasing capital of the respective company. The staff bonus and welfare fund is a liability in nature and is restricted to fund payments of special bonus to staff and for the collective welfare of employees. No reserves are allowed to be transferred to the Company in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, there is no statutory reserves.

(ac) Comprehensive loss

The Group applies ASC 220, Comprehensive Income, with respect to reporting and presentation of comprehensive loss and its components in a full set of financial statements. Comprehensive loss is defined to include all changes in equity of the Group during a period arising from transactions and other events and circumstances except those resulting from investments by shareholders and distributions to shareholders. For the years presented, the Group's comprehensive loss includes net loss and other comprehensive loss, which primarily consists of the foreign currency translation adjustment that has been excluded from the determination of net loss.

(ad) Leases

In February 2016, the FASB issued ASC 842, Leases, to require lessees to recognize all leases, with certain exceptions, on the balance sheets, while recognition on the statement of operations will remain similar to lease accounting under ASC 840. Subsequently, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvements for Lessors, and ASU 2019-01, Codification Improvements, to clarify and amend the guidance in ASU No. 2016-02. ASC 842 eliminates real estate-specific provisions and modifies certain aspects of lessor accounting.

(a) As a lessee

(i) Operating lease

The Group early adopted the ASUs as of January 1, 2018 using the cumulative effect adjustment approach. Upon adoption, 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 includes a right-of-use asset and lease liability related to substantially all of the Group's lease arrangements in the consolidated balance sheets. All of the Group's leases are operating leases. Operating lease assets are included within right-of-use assets, and the corresponding lease liabilities are included within current portion of lease liabilities for the current portion, and within lease liabilities for the long-term portion on the consolidated balance sheets as of December 31, 2018, 2019 and 2020 and March 31, 2021.

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.

The Group has elected not to present short-term leases on the consolidated balance sheets 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 recognizes lease expenses for such short-term lease generally on a straight-line basis over the lease term. All other lease assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement date. Because most of the Group's leases do not provide an implicit rate of return, the Group uses the Group's incremental borrowing rate based on the information available at adoption date or lease commencement date in determining the present value of lease payments.

(b) As a lessor

The Group provides vehicle leasing service to customers under operating lease and finance lease.

(i) Operating lease

The Group recognizes the lease payments as vehicle leasing income in profit or loss over the lease term on a straight-line basis.

(ii) Finance lease

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as finance lease receivables, and the

unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income. The net amount of finance lease receivables less unearned finance income is divided into finance lease receivable – net and current portion of finance lease receivable – net due within one year for presentation.

Finance lease receivables are carried at amortized cost net of loss allowance for finance lease receivables. When determining the loss allowance for a net investment in the lease, the Group takes into consideration the collateral relating to the net investment in the lease. The collateral relating to the net investment in the lease represents the cash flows that the Group would expect to receive (or derive) from the lease receivable and the unguaranteed residual asset during and following the end of the remaining lease term.

Lease income from finance lease is recognized in other revenues using the effective interest method.

(ae) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

(af) Earnings (losses) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to holders of ordinary shares, considering the accretion on Preferred Shares to redemption value, deemed dividend due to extinguishment of Preferred Shares, deemed dividend due to modification of Preferred Shares, deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares and deemed contribution from repurchase of Preferred Shares, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Diluted earnings (loss) per share is calculated by dividing net income (loss) attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the Preferred Shares using the if-converted method, unvested restricted shares, and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

(ag) Segment reporting

ASC 280, Segment Reporting, establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas, and major customers.

Based on the criteria established by ASC 280, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions

about allocating resources and assessing performance of the Group. As a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for internal reporting. As the Group's long-lived assets are substantially located in the PRC, no geographical segments are presented.

3. Recent Accounting Pronouncements

Recently adopted accounting pronouncements

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force). The amendments in this update clarify the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Group adopted the ASU on January 1, 2021, which did not have a material impact on the consolidated financial statements.

Recently issued accounting pronouncements not yet adopted

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this update are effective for all entities as of March 12, 2020 through December 31, 2022. The amendments in this update provide optional expedients and exceptions for applying generally accepted accounting principles (“GAAP”) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The ASU is currently not expected to have a material impact on the consolidated financial statements.

4. Concentration and Risks

(a) Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, short-term deposits and short-term investments. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of

December 31, 2018, 2019 and 2020 and March 31, 2021, substantially all of the Group's cash and cash equivalents, restricted cash, and short-term investments were placed with the PRC and international financial institutions. Management chooses these institutions because of their reputations and track records for stability, and their known large cash reserves, and management periodically reviews these institutions' reputations, track records, and reported reserves. Management expects that any additional institutions that the Group uses for its cash and bank deposits would be chosen with similar criteria for soundness. Bank failure is uncommon in the PRC and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents, restricted cash, short-term deposits and short-term investments are financially sound based on publicly available information.

(b) Foreign currency exchange rate risk

The revenues and expenses of the Group's entities in the PRC are generally denominated in RMB and their assets and liabilities are denominated in RMB. The Group's oversea financing activities are denominated in U.S. dollars. The RMB is not freely convertible into foreign currencies. Remittances of foreign currencies into the PRC or remittances of RMB out of the PRC as well as exchange between RMB and foreign currencies require approval by foreign exchange administrative authorities and certain supporting documentation. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of RMB into other currencies.

5. Fair Value of Financial Instruments

ASC 820, Fair Value Measurements, states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The three-tiered fair value hierarchy, which prioritizes which inputs should be used in measuring fair value, is comprised of: (Level I) observable inputs such as quoted prices in active markets; (Level II) inputs other than quoted prices in active markets that are observable either directly or indirectly and (Level III) unobservable inputs for which there is little or no market data. The fair value hierarchy requires the use of observable market data when available in determining fair value. Assets and liabilities that were measured at fair value on a recurring basis were as follows:

	As of December 31, 2018				As of December 31, 2019				As of December 31, 2020				As of March 31, 2021			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term investments . . .	2,246,272		–	2,246,272		–	407,844		–	407,844		–	2,820,711		–	2,820,711
Derivative assets																
– a forward exchange contract	–	–	–	–	–	–	–	–	105,183	–	105,183	–	–	–	–	–
Derivative liabilities – Preferred Shares (i)	637,015	–	–	637,015	897,091	–	–	897,091	–	–	–	–	–	–	–	–
Derivative liabilities – forward exchange contracts	–	–	–	–	–	–	–	–	–	–	–	–	8,798	–	8,798	–

- (i) In determining the fair value of derivative liabilities, the Company has adopted the equity allocation model. For purposes of determining the redemption right of Series A, A1 and A2, B, B1 and B2, and C Preferred Shares, on December 31, 2019,

April 10, May 11, May 26, June 30 and July 31, 2020, the Company re-performed the equity allocation model for Series A, A1 and A2, B, B1 and B2, and C Preferred Shares in scenarios assuming the redemption feature is removed, the difference between the with embedded redemption features scenario and the without embedded redemption features scenario is considered to be value of the redemption features of the Series A, A1 and A2, B, B1 and B2, and C Preferred Shares. Such approach involves certain significant estimates which are as follows:

Valuation Date	December 2 and December 31, 2019	April 10, 2020	May 11, 2020	May 26, 2020	June 30, 2020	July 31, 2020
Volatility ⁽¹⁾	37.90%	42.38%	42.82%	42.69%	41.75%	43.20%
Risk-free rate ⁽²⁾	2.65%	1.10%	1.05%	1.03%	0.97%	1.38%
Dividend yield ⁽³⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Time to expiration ⁽⁴⁾ (in years)	5.37	5.02	4.93	4.89	4.8	4.71

- (1) The volatility is estimated based on the historical share price movement of comparable companies for the period of time close to the expected time to exercise.
- (2) The risk-free rate is based on the market yield of US treasury curve with China country risk premium.
- (3) The dividend yield is estimated by the Company based on its expected dividend policy over the contractual term of the options.
- (4) Time to expiration is the time between valuation date and the redemption or liquidation date.

Fair value measurement on a non-recurring basis

The Company measures investments without readily determinable fair value on a non-recurring basis when impairment charges and fair value change due to observable price change are recognized. These non-recurring fair value measurements use significant unobservable inputs (Level III). The Company uses a combination of valuation methodologies, including market and income approaches based on the Company's best estimate to determine the fair value of these investments. An observable price change is usually resulting from new rounds of financing of the investees. The Company determines whether the securities offered in new rounds of financing are similar to the equity securities held by the Company by comparing the rights and obligations of the securities. When the securities offered in new rounds of financing are determined to be similar to the securities held by the Company, the Company adjusts the observable price of the similar security to determine the amount that should be recorded as an adjustment in the carrying value of the security to reflect the current fair value of the security held by the Company by using the back-solve method based on the equity allocation model with adoption of some key parameters such as risk-free rate and equity volatility. Inputs used in these methodologies primarily include discount rate, the selection of comparable companies operating in similar businesses and etc.

6. Accounts Receivable, net

Accounts receivable consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable, gross	38,393	543,011	1,136,305	1,382,805
Allowance for doubtful accounts	—	(3,812)	(7,413)	(8,150)
Accounts receivable, net	<u>38,393</u>	<u>539,199</u>	<u>1,128,892</u>	<u>1,374,655</u>

The accounts receivable mainly included the amounts of vehicle sales in relation to government subsidy to be collected from government on behalf of customers. Sales to individual customers were normally made with advances from customers. Sales to large-volume buyer were made on credit terms ranging from 30 to 60 days.

An aging analysis based on the relevant invoice dates is as follows:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
0-3 months	35,780	83,575	317,399	275,166
3-6 months	2,613	81,522	233,051	289,073
6-12 months	—	374,556	93,151	279,471
Over 1 year	—	3,358	492,704	539,095
Accounts receivable, gross	<u>38,393</u>	<u>543,011</u>	<u>1,136,305</u>	<u>1,382,805</u>

7. Inventory

Inventory consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	60,353	328,443	943,945	1,298,811
Raw materials	108,973	125,673	387,524	631,199
Work-in-process	—	—	11,556	3,170
Total	<u>169,326</u>	<u>454,116</u>	<u>1,343,025</u>	<u>1,933,180</u>

Raw materials primarily consist of materials for volume production.

Work-in-process primarily consist of the P7 in production which will be transferred into production cost when incurred.

Finished goods primarily consist of vehicles ready for transit at production factory, vehicles in transit to fulfill customer orders, new vehicles available for immediate sale at its delivery and service centers, vehicle parts and charging piles.

For the year ended December 31, 2018, no inventory write-downs were made. For the year ended December 31, 2019, inventory write-downs of RMB109,505,000 mainly due to the phasing out of G3 2019 model were recognized in cost of sales. For the year ended December 31, 2020, write-downs of inventories to net realizable value amounted to RMB92,612,000, which were recognized in cost of sales. For the three months ended March 31, 2020 and 2021, write-downs of inventories to net realizable value amounted to RMB8,000,000 and RMB46,525,000, which were recognized in cost of sales and R&D expenses, respectively.

8. Prepayments and Other Current Assets

Prepayments and other current assets consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	151,956	80,699	909,327	1,064,468
Deductible value-added tax input	170,501	437,129	521,630	541,543
Deposits	23,326	188,190	30,006	30,322
Amount receivables from issuance of				
Preferred Shares	851,800	279,048	–	–
Others	39,013	98,241	142,323	151,702
Total	<u>1,236,596</u>	<u>1,083,307</u>	<u>1,603,286</u>	<u>1,788,035</u>

Prepayments primarily consist of prepayment for raw materials, marketing and consulting services provided by suppliers.

Deposits primarily consist of deposits for short-term leases and the deposits to suppliers for guarantee of procurement.

9. Property, Plant and Equipment, Net

Property, plant and equipment, net, consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Machinery and equipment	39,790	193,889	1,047,461	1,051,887
Mold and tooling	27,569	497,174	938,611	939,637
Buildings	–	–	726,820	726,820
Vehicles	64,182	230,328	328,555	385,799
Construction in process	623,262	2,236,775	223,875	350,324
Leasehold improvements	107,247	191,356	216,923	218,094
Computer and electronic equipment	33,941	54,044	87,304	94,672
Charging infrastructure	3,400	39,792	45,835	46,123
Others	6,802	27,770	57,904	59,816
Sub-total	906,193	3,471,128	3,673,288	3,873,172
Less: Accumulated depreciation	(42,836)	(161,991)	(456,319)	(563,850)
Less: Impairment	–	(79,185)	(135,467)	(134,978)
Property, plant and equipment, net	<u>863,357</u>	<u>3,229,952</u>	<u>3,081,502</u>	<u>3,174,344</u>

The Group recorded depreciation expenses of RMB53,527,000, RMB125,453,000, RMB302,974,000, RMB38,295,000 and RMB108,450,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

Vehicles represent the rides-qualified vehicles operated by the Group for the ride hailing services, certain vehicles under operating lease arrangement with customers and the vehicles used for the Group's daily operation.

Construction in progress primarily consists of the construction of Zhaoqing manufacturing plant and mold, tooling, machinery and equipment related to the manufacturing of the Group's vehicles. During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Group capitalized RMB1,907,000, RMB38,483,000, RMB26,351,000, RMB19,818,000 and nil of interest, respectively. Subsidies for interest expenses capitalized received from government by the Group were recognized to reduce the interest expenses capitalized in the construction of Zhaoqing manufacturing plant. Subsidies for interest expenses received from government by the Group were recognized to reduce the interest expenses after completion of construction. In April 2020, the completed assets are transferred to their respective assets classes.

The accumulated impairment loss were nil, RMB79,185,000, RMB135,467,000 and RMB134,978,000, respectively as of December 31, 2018, 2019 and 2020 and March 31, 2021, primarily due to the phasing out of G3 2019 model in 2019 and upgrade of G3 2020 model in 2020.

10. Intangible Assets, Net

Intangible assets and related accumulated amortization consisted of the following:

	As of December 31, 2018			As of December 31, 2019			As of December 31, 2020			As of March 31, 2021		
	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finite-lived intangible assets												
Software	21,642	(3,389)	18,253	98,402	(10,009)	88,393	114,118	(29,264)	84,854	116,163	(35,283)	80,880
License of maintenance and overhauls	2,290	(617)	1,673	2,290	(1,678)	612	2,290	(2,290)	–	2,290	(2,290)	–
Total finite-lived intangible assets	23,932	(4,006)	19,926	100,692	(11,687)	89,005	116,408	(31,554)	84,854	118,453	(37,573)	80,880
Indefinite-lived intangible assets												
Manufacturing license ⁽ⁱ⁾	–	–	–	–	–	–	494,000	–	494,000	494,000	–	494,000
License plate	28,927	–	28,927	28,927	–	28,927	28,927	–	28,927	29,126	–	29,126
Total indefinite-lived intangible assets	28,927	–	28,927	28,927	–	28,927	522,927	–	522,927	523,126	–	523,126
Total intangible assets, net	52,859	(4,006)	48,853	129,619	(11,687)	117,932	639,335	(31,554)	607,781	641,579	(37,573)	604,006

The Group recorded amortization expenses of RMB3,546,000, RMB7,681,000, RMB20,169,000, RMB2,452,000 and RMB6,019,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

Total future amortization expenses for finite-lived intangible assets were estimated as follows:

	RMB'000
Within 1 year	23,920
Between 1 and 2 years	17,972
Between 2 and 3 years	17,129
Between 3 and 4 years	13,838
Between 4 and 5 years	4,640
Thereafter	3,381
Total	80,880

(i) **Acquisition and subsequent sale of the 100% equity interest in a company that holds a manufacturing license**

On March 12, 2020, the Group entered into a share transfer agreement (the “STA”) to acquire the 100% equity interest in a company (the “Acquiree”) from its shareholders (the “Sellers”) for a total cash consideration of RMB510 million (the “Acquisition”).

In March 2020, as part of the equity purchase, all of the Acquiree's net assets with a carrying value of RMB8 million which included the manufacturing license were acquired by the Group under the terms of the STA, subject to regulatory approval. In accordance with the STA, on June 6, 2020, immediately after approval from the relevant PRC regulatory authority was granted for the manufacturing license to be transferred from the Acquiree to the Group, the Group sold its 100% equity interest in the Acquiree to the Sellers' related parties for consideration of RMB16 million, resulting in a sale of all of the Acquiree's net assets, except for the manufacturing license. Given the acquisition from the Sellers and the subsequent sale to the Sellers' related parties were in accordance with the terms of the STA, the consideration received of RMB16 million, in substance, represents an adjustment or reduction to the total cash consideration of RMB510 million incurred by the Group for the manufacturing license. The net effect of the series of transactions outlined above is that only the manufacturing license was acquired and retained by the Group. The Group determined that it was the nominee shareholder of the Acquiree during the period from acquisition to the sale of the Acquiree after regulatory approval was obtained for the transfer of the manufacturing license to the Group, approximately three months. During this period, the Group was not entitled to any of the economic results of the Acquiree. In accordance with ASC 810, the Group did not obtain a controlling financial interest in the Acquiree during this period, and accordingly, did not consolidate the financial statements of the Acquiree.

The Acquisition is determined to be an asset acquisition as the Group did not obtain a controlling financial interest in the Acquiree upon closing of the Acquisition in May 2020. On the basis above, the Group accounted for the acquisition of the manufacturing license as an intangible asset with a total cost of RMB494 million. The useful life of the license is assessed as indefinite as there is no limit to the valid period of the license under the relevant PRC laws and regulations.

Out of the initial cash consideration of RMB510 million, RMB100 million was paid in December 2019, RMB100 million was paid in March 2020, RMB100 million was paid in April 2020, RMB100 million was paid in July 2020 and RMB110 million was paid in August 2020. For the repurchase consideration of RMB16 million due from the Sellers' related parties, RMB10 million was received in June 2020 and RMB6 million was received in November 2020.

11. Land Use Rights, Net

Land use rights and related accumulated amortization consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Land use rights	264,886	264,886	264,886	399,054
Less: Accumulated amortization	(4,306)	(9,629)	(14,952)	(16,747)
Total land use rights, net	<u>260,580</u>	<u>255,257</u>	<u>249,934</u>	<u>382,307</u>

In November 2017, February 2018, May 2018 and January 2021, the Group acquired land use rights to build factories for manufacturing vehicles of the Group in Zhaoqing and Guangzhou, Guangdong province, the PRC.

The Group recorded amortization expenses for land use rights of RMB4,058,000, RMB5,323,000, RMB5,323,000, RMB1,331,000 and RMB1,795,000 for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

12. Other Non-current Assets

Other non-current assets consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term deposits	23,792	29,316	60,655	73,672
Prepayments for purchase of property and equipment	24,495	7,159	37,212	12,628
Prepayment for purchase of land use rights	–	–	130,260	–
Prepayments for acquisition of assets	–	100,000	–	–
Others	945	1,037	506	505
Total	<u>49,232</u>	<u>137,512</u>	<u>228,633</u>	<u>86,805</u>

As of December 31, 2019, prepayments for acquisition of assets represented the prepayment amounting to RMB100,000,000 for an acquisition of a Company that holds a manufactory license.

Long-term deposits primarily consist of deposits for offices and retail and service centers which will not be collectable within one year.

13. Accounts and Notes Payable

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	210,530	540,448	2,502,210	2,946,031
Notes payable	<u>4,363</u>	<u>413,498</u>	<u>2,609,535</u>	<u>2,951,455</u>
Total	<u>214,893</u>	<u>953,946</u>	<u>5,111,745</u>	<u>5,897,486</u>

The Group normally receives credit terms of 0 days to 90 days from its suppliers. An aging analysis of accounts payable based on the relevant invoice dates is as follows:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-3 months	210,404	342,375	2,265,024	2,636,121
3-6 months	70	141,373	159,913	219,743
6-12 months	50	35,719	33,295	47,901
Over 1 year	6	20,981	43,978	42,266
Total	<u>210,530</u>	<u>540,448</u>	<u>2,502,210</u>	<u>2,946,031</u>

An aging analysis of notes payable based on the relevant issuance dates is as follows:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-3 months	4,363	167,101	1,466,567	1,535,854
3-6 months	–	246,397	1,142,968	1,409,885
6-12 months	–	–	–	5,716
Total	<u>4,363</u>	<u>413,498</u>	<u>2,609,535</u>	<u>2,951,455</u>

14. Accruals and Other Liabilities

Accruals and other liabilities consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Withholding individual income tax related to the vested RSUs	–	–	–	815,689
Payables for purchase of property, plant and equipment	69,493	831,644	596,527	496,740
Employee compensation payable	189,442	199,515	326,081	358,031
Payables for marketing events	67,931	83,552	362,570	286,106
Payable for R&D expenses	6,994	257,473	197,751	260,448
Accrued expenses	36,119	107,712	145,174	130,057
Deposits from third parties	14,535	62,696	108,301	104,433
Non-controlling interests (i)	–	98,010	98,010	98,010
Refundable deposit from customers	18,730	9,557	213,928	72,928
Warranty	11	8,380	31,594	45,052
Interest payables	13,818	23,315	61,997	32,949
Advances from customers	34,951	37,478	5,437	–
Others	20,922	36,663	108,795	138,386
Total	<u>472,946</u>	<u>1,755,995</u>	<u>2,256,165</u>	<u>2,838,829</u>

Accrued expenses primarily reflected receipts of goods and services that the Group had not been invoiced yet. As the Group are invoiced for these goods and services, this balance will reduce and accounts payable will increase.

- (i) On September 19, 2019, the Group entered into a partnership agreement with Guangzhou Industrial Transformation and Upgrading Development Fund Co., Limited (“Industrial Fund”) and Shenzhen Antuo Hengyuan Fund management Co., Limited (“Shenzhen Antuo”) to set up a limited liability partnership entity (the “Kunpeng Kechuang LLP”). Industrial Fund and Shenzhen Antuo subscribed for RMB98,000,000 and RMB10,000 paid in capital in Kunpeng Kechuang LLP with 24.5% and 0.0025%, of the shares, respectively. On October 22, 2019 and October 24, 2019, Industrial Fund and Shenzhen Antuo injected RMB98,000,000 and RMB10,000 in cash to Kunpeng Kechuang LLP, respectively. Pursuant to the investment agreement, Industrial Fund and Shenzhen Antuo do not have substantive participating rights to Kunpeng Kechuang LLP nor are able to transfer their interest in Kunpeng Kechuang LLP to other third party. In addition, at any time within three years the Group is entitled to upon its request or is obligated to upon Industrial Fund’s request to purchase from Industrial Fund all of its interest in Kunpeng Kechuang LLP at its investment amount paid plus interest calculated at the current annual interest rate of the 3-year Treasury Bond in the PRC. Upon exit of Industrial Fund, Kunpeng Kechuang LLP will be dissolved and Shenzhen Antuo will be entitled to its investment amount paid amounted to RMB10,000. As such, the Group consolidates

Kunpeng Kechuang LLP. The investments by Industrial Fund and Shenzhen Antuo are accounted for as a liability because liability classification is required when the Group enters into a purchased call and written put with the non-controlling interests holders, and the put and call have the same fixed exercise price and exercise date.

15. Borrowings

Borrowings consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Short-term borrowings:				
Bank loans	200,000	419,950	127,900	7,900
Current portion of long-term borrowings	–	60,000	45,000	–
Total current borrowings	<u>200,000</u>	<u>479,950</u>	<u>172,900</u>	<u>7,900</u>
Non-Current				
Long-term borrowings:				
Bank loans	–	90,000	845,000	800,000
Other loans	1,000,000	1,600,000	800,000	800,000
Total non-current borrowings	<u>1,000,000</u>	<u>1,690,000</u>	<u>1,645,000</u>	<u>1,600,000</u>
Total borrowings	<u>1,200,000</u>	<u>2,169,950</u>	<u>1,817,900</u>	<u>1,607,900</u>

As of December 31, 2018, the Group had two short-term borrowings of RMB200,000,000 in aggregate. The effective interest rate of these borrowings is 3.92% to 4.13% per annum.

As of December 31, 2019, the Group had short-term borrowings from five banks of RMB419,950,000 in aggregate. The effective interest rate of these borrowings is 3.92% to 4.57% per annum.

As of December 31, 2020, the Group had short-term borrowings from three banks of RMB127,900,000 in aggregate. The effective interest rate of these borrowings is 4.17% to 4.99% per annum.

As of March 31, 2021, the Group had short-term borrowings from one bank of RMB7,900,000 in aggregate. The effective interest rate of these borrowings is 4.5% per annum.

In 2019, the Group entered into long-term loan agreements with a bank in the PRC of total principals of RMB150,000,000, subject to a fixed interest rate of 4.99% per annum, and with a maturity date from

January 22, 2020 to November 20, 2022. As of December 31, 2019, the principal amount of RMB60,000,000 was due within 12 months after the reporting period and presented as current liabilities and the principal amount of RMB90,000,000 was presented as non-current liabilities in the consolidated balance sheets. As of December 31, 2020, the principal amount of RMB45,000,000 was due within 12 months after the reporting period and presented as current liabilities and the principal amount of RMB45,000,000 was presented as non-current liabilities in the consolidated balance sheets. As of March 31, 2021, the principal amount of RMB90,000,000 was repaid in advance.

In May 2017, Zhaoqing XPeng obtained a facility, specified for expenditures of the construction of Zhaoqing manufacturing plant, of up to RMB1,600,000,000 from Zhaoqing High-tech Zone Construction Investment Development Co., Ltd. ("Zhaoqing High-tech Zone"). As of December 31, 2018 and 2019, the aggregated drawdown amounted to RMB 1,000,000,000 and RMB1,600,000,000, respectively. In December 2020, RMB800,000,000 out of the RMB1,600,000,000 borrowings from Zhaoqing High-tech Zone was repaid and concurrently a borrowing equivalently amounting to RMB800,000,000 was obtained from a bank in the PRC, with a maturity date from December 18, 2020 to December 17, 2028. As of December 31, 2020, the effective interest rate of the RMB800,000,000 loans from Zhaoqing High-tech Zone and the RMB800,000,000 bank loans is 4.90% and 4.98% per annum, respectively. For the remaining RMB800,000,000 loans from Zhaoqing High-tech Zone, RMB200,000,000 matures on January 31, 2027 and RMB600,000,000 matures on January 31, 2028. Moreover, the Group received subsidies from government for interest expenses incurred associated with borrowings. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, upon the acceptance of subsidy application by government, the Group recognized the subsidies to reduce the interest expenses capitalized in the construction of Zhaoqing manufacturing plant or reduce related interest expenses as incurred if any.

Certain of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's consolidated statements of financial position performance and results, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As of December 31, 2018, 2019 and 2020 and March 31, 2021, none of the covenants relating to drawn down facilities had been breached.

The carrying value of the borrowings approximates its fair value as of December 31, 2018, 2019 and 2020 and March 31, 2021. 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 II.

16. Other Non-Current Liabilities

Other non-current liabilities consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Non-controlling interests (i)	–	–	–	1,660,000
Government grants (ii)	720	46,798	217,682	209,636
Warranty (iii)	62	26,217	79,757	103,118
Total	782	73,015	297,439	1,972,754

(i) The non-controlling interests consisted of the following three equity financing arrangements:

1) Financing in an amount of RMB160 million from Guangzhou GET Investment Holdings Co., Ltd. (“Guangzhou GET Investment”)

In December 2020, Chengxing and Guangzhou Xiaopeng Automotive Investment Co., Ltd. (“Guangzhou Xiaopeng Investment”), subsidiaries of the Group, entered into a partnership agreement with Guangzhou GET Investment to set up a limited liability partnership entity (the “Kunpeng Chuangye LLP”) whose operating period is designed for 9 years since the date of the registration of its business license. Chengxing, Guangzhou Xiaopeng Investment and Guangzhou GET Investment subscribed for RMB200,000,000, RMB10,000 and RMB160,000,000 paid in capital in Kunpeng Chuangye LLP with 55.5540%, 0.0028% and 44.4432%, of the equity interest, respectively. The consideration of RMB160 million was paid by Guangzhou GET Investment to Kunpeng Chuangye LLP in January 2021. Pursuant to the investment agreement, Guangzhou GET Investment does not have substantive participating rights to Kunpeng Chuangye LLP nor are able to transfer their interest in Kunpeng Chuangye LLP to other third party. During the 9-year operating period of Kunpeng Chuangye LLP, Guangzhou GET Investment is only entitled to the interest calculated at an interest rate of 4% per annum based on its investment amount RMB160,000,000 from Kunpeng Chuangye LLP. Upon liquidation, if any, at any time within 9 years or at due date of 9-year operating period, Guangzhou GET Investment will be entitled to and only entitled to its investment amount amounting to RMB160,000,000. If Kunpeng Chuangye LLP failed to pay the investment amount RMB160,000,000 or the interest calculated at an interest rate of 4% per annum to Guangzhou GET Investment, Chengxing, also guaranteed by Xiaopeng Technology, will be liable for the unpaid amount. As such, the Group consolidates Kunpeng Chuangye LLP via its subsidiaries Chengxing and Guangzhou Xiaopeng Investment. The investment held by Guangzhou GET Investment is accounted for as a liability with interest expenses amortized through the period given as the risks and rewards of owning 44.4432% of equity interest in Kunpeng Chuangye LLP have been retained by the Group and the substance of the transaction is that Guangzhou GET Investment is providing financing to the Group via Kunpeng Chuangye LLP.

2) Financing in an amount of RMB500 million from Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership) (“Guangdong Utrust”)

Pursuant to the share purchase agreement, dated March 12, 2021, signed among Chengxing, Chengxing's shareholders (i.e. Guangdong Xiaopeng Motors Technology Co., Ltd. and Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd., both of which are wholly owned subsidiaries of the Company) and Guangdong Utrust, Guangdong Utrust subscribed for common stock newly issued by Chengxing at a consideration of RMB500 million. Immediately after the share subscription, Guangdong Utrust will hold 0.3067% of equity interest in Chengxing. The consideration of RMB500 million was paid by Guangdong Utrust on March 16, 2021 (“**Initial Capital Injection Date of Guangdong Utrust**”). Pursuant to the terms of the agreement, conditional upon any entity affiliated with Chengxing being granted a listing approval by any stock exchange (“**Relevant Listing Approval**”) within 3 years after the Initial Capital Injection Date of Guangdong Utrust, Guangdong Utrust is entitled to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the shares of Chengxing held by it for cash such that it could choose to use any part of the relevant funds, subject to the consent of Guangdong Xiaopeng Motors Technology Co., Ltd., to participate in the international placing tranche of such public offering. Under the share purchase agreement, no guaranteed allocation of such public offering shares will be granted to Guangdong Utrust. The amount to be paid by Guangdong Xiaopeng Motors Technology Co., Ltd. for such purchase is to be calculated with reference to the consideration paid by Guangdong Utrust, i.e. RMB500 million and an interest at a rate of 6% or 3% per annum which may apply to the entire RMB500 million or a portion thereof pursuant to the terms of the share purchase agreement. Upon the third anniversary of the Initial Capital Injection Date of Guangdong Utrust, if Guangdong Utrust, Guangdong Xiaopeng Motors Technology Co., Ltd. and Chengxing fail to reach an agreement on the terms of such IPO arrangement or no relevant entity has obtained the Relevant Listing Approval, Guangdong Xiaopeng Motors Technology Co., Ltd. is entitled to request Guangdong Utrust to sell or Guangdong Utrust is entitled to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the common stock in Chengxing held by Guangdong Utrust at a price of RMB500 million plus interest calculated at an interest rate of 3% per annum. In addition, pursuant to the terms of the arrangement, Guangdong Utrust does not have substantive participating rights to Chengxing. The investment by Guangdong Utrust is accounted for as a liability with interest expenses amortized through the period as the risks and rewards of owning the 0.3067% of equity interest in Chengxing have been retained by the Group and the substance of the transaction is that Guangdong Utrust is providing financing to Chengxing.

On June 11, 2021, Guangdong Utrust notified Chengxing that it irrevocably undertakes not to exercise the rights under the share purchase agreement to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the shares of Chengxing held by it in connection with the proposed listing of the Company on the Stock Exchange.

3) Financing in an amount of RMB1,000 million from Guangzhou GET Investment

Pursuant to the share purchase agreement, dated March 30, 2021, signed among Chengxing, Chengxing's shareholders and Guangzhou GET Investment, Guangzhou GET Investment subscribed for common stock newly issued by Chengxing at a consideration of RMB1,000 million. Immediately after the share subscription, Guangzhou GET Investment will hold 1.0640% of equity interest in Chengxing. The consideration of RMB1,000 million was paid by Guangzhou GET Investment on March 31, 2021 (“**Initial**

Capital Injection Date of Guangzhou GET Investment”). Pursuant to the terms of the agreement, conditional upon the disclosure of any plan of any potential onshore listing by any entity affiliated with Chengxing on any stock exchange in the PRC within 5 years after the Initial Capital Injection Date of Guangzhou GET Investment, Guangzhou GET Investment is entitled to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the shares of Chengxing held by it for cash such that it could use the relevant funds to participate in such potential onshore public offering. Under the share purchase agreement, no guaranteed allocation of such public offering shares will be granted to Guangzhou GET Investment. The amount to be paid by Guangdong Xiaopeng Motors Technology Co., Ltd. for such purchase is to be calculated with reference to the consideration paid by Guangzhou GET Investment, i.e. RMB1,000 million and an interest at a rate of 4% or 6% per annum pursuant to the terms of the share purchase agreement. Upon the fifth anniversary of the Initial Capital Injection Date of Guangzhou GET Investment, if Guangzhou GET Investment, Guangdong Xiaopeng Motors Technology Co., Ltd. and Chengxing fail to reach an agreement on the terms of such potential onshore listing in the PRC or such relevant entity cannot successfully become listed in the PRC, Guangdong Xiaopeng Motors Technology Co., Ltd. is entitled to request Guangzhou GET Investment to sell or Guangzhou GET Investment is entitled to request Guangdong Xiaopeng Motors Technology Co., Ltd. to purchase the common stock in Chengxing held by Guangzhou GET Investment at a price of RMB1,000 million plus interest calculated at the rate of 4% per annum. In addition, pursuant to the terms of the arrangement, Guangzhou GET Investment does not have substantive participating rights to Chengxing. The investment by Guangzhou GET Investment is accounted for as a liability with interest expenses amortized through the period as the risks and rewards of owning the 1.0640% of equity interest in Chengxing have been retained by the Group and the substance of the transaction is that Guangzhou GET Investment is providing financing to Chengxing.

(ii) The government grants primarily represented the government subsidies for interest expenses to be incurred associated with the borrowings.

(iii) Movement of accrued warranty is as following:

	For the Years Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Accrued warranty – beginning of year/ period	–	73	34,597	34,597	111,351
Warranty costs incurred	–	(575)	(925)	(261)	(3,908)
Provision for warranty	73	35,099	77,679	2,651	40,727
Accrued warranty – end of year/period	73	34,597	111,351	36,987	148,170
Less: Current portion of warranty	(11)	(8,380)	(31,594)	(6,611)	(45,052)
Non-current portion of warranty	62	26,217	79,757	30,376	103,118

17. Leases

(a) As a lessee

The Group has entered into various non-cancellable operating lease agreements for certain offices, retail and service centers, warehouses for finished goods, parking area for charging infrastructure and factories for R&D activities which are substantially located in the PRC. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the consolidated financial statements upon lease commencement, which is the date when the lessor makes the underlying asset available for use by the lessee.

The Group's leases, where the Group is the lessee, may include options to extend the lease term and options to terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Group will exercise such options.

The balances for the operating leases where the Group is the lessee are presented as follows within the consolidated balance sheets:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Operating lease right-of-use assets	342,123	440,097	461,184	662,268
Lease liabilities – current	83,582	90,740	119,565	172,481
Lease liabilities – non-current	267,356	361,404	352,501	490,560
Total operating lease liabilities	350,938	452,144	472,066	663,041

The components of operating lease expense are as follows within the consolidated statements of comprehensive loss:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating lease expense	44,476	107,850	125,867	25,988	55,650
Short-term lease expense	5,398	15,033	30,201	3,630	11,714
Total lease expense	49,874	122,883	156,068	29,618	67,364

(Unaudited)

Short-term leases represent the parking area leases with a term of 12 months or less.

Both operating lease and short-term lease are recognized as cost of sales, selling, general and administrative expenses and research and development expenses in consolidated statements of comprehensive loss.

Other information related to operating leases where the Group is the lessee is as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
				<i>(Unaudited)</i>	
Weighted-average remaining lease term	6.3 years	5.4 years	4.0 years	5.1 years	4.2 years
Weighted-average discount rate	4.74%	4.48%	4.43%	4.45%	4.51%

Because most of the leases do not provide an implicit rate of return, the Group used the incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments.

Supplemental cash flow information related to leases where the Group is the lessee is as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Cash paid for amounts included in the measurement of lease liabilities:					
Operating cash outflows from operating leases	23,750	84,975	132,440	28,440	76,987
Leased assets obtained in exchange for operating lease liabilities	224,851	186,181	130,560	6,625	260,014

As of March 31, 2021, the maturities of the Group's operating lease liabilities (excluding short-term leases) are as follows:

	As of March 31, 2021
	<u>RMB'000</u>
2021	197,078
2022	190,375
2023	114,939
2024	77,674
2025	52,656
Thereafter	115,295
Total minimum lease payments	748,017
Less: Interest	(84,976)
Present value of lease obligations	663,041
Less: Current portion	(172,481)
Non-current portion of lease obligations	<u>490,560</u>

(b) As a lessor

Finance lease receivables consisted of the following:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Current portion of finance lease receivables – net	–	45,836	156,069	253,951
Finance lease receivables – net	–	109,965	397,467	684,053
Total	<u>–</u>	<u>155,801</u>	<u>553,536</u>	<u>938,004</u>

The Group recognized interest income on the net investment in the lease of RMB4,929,000, RMB17,115,000, RMB3,629,000 and RMB12,299,000 for the years ended December 31, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

As of March 31, 2021, maturity analysis of the minimum lease payments receivable for each of the first five years and reconciliation of the undiscounted cash flows to the net investment in the lease are as follows:

	As of March 31, 2021
	<u>RMB'000</u>
Within 1 year	309,190
Between 1 and 2 years	285,301
Between 2 and 3 years	235,744
Between 3 and 4 years	141,028
Between 4 and 5 years	95,256
Above 5 years	<u>2,092</u>
Total lease payments	1,068,611
Less: Unrealized finance income	<u>(123,197)</u>
Net investment in the lease	945,414
Less: Allowance for finance lease receivables	<u>(7,410)</u>
Finance lease receivables – net	<u><u>938,004</u></u>

18. Revenues

Revenues by source consisted of the following:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				<i>(Unaudited)</i>	
Vehicle sales					
– At a point in time	4,153	2,171,231	5,546,754	372,151	2,810,347
Services and others					
– At a point in time	468	70,419	201,562	21,353	99,826
– Over time	<u>5,085</u>	<u>79,569</u>	<u>96,005</u>	<u>18,565</u>	<u>40,753</u>
Total	<u><u>9,706</u></u>	<u><u>2,321,219</u></u>	<u><u>5,844,321</u></u>	<u><u>412,069</u></u>	<u><u>2,950,926</u></u>

19. Deferred Revenue

The following table shows a reconciliation in the current reporting period related to carried-forward deferred revenue.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Deferred revenue – beginning of year/ period	–	2,366	85,498	85,498	308,384
Additions	4,211	1,865,564	5,297,728	343,192	2,570,496
Recognition	(1,845)	(1,782,432)	(5,074,842)	(331,130)	(2,545,404)
Deferred revenue – end of year/period	<u>2,366</u>	<u>85,498</u>	<u>308,384</u>	<u>97,560</u>	<u>333,476</u>

Deferred revenue represents the transaction price allocated to the performance obligations that are unsatisfied, which primarily arises from the undelivered vehicles, charging piles, free charging within 4 years or 100,000 kilometers, the extended lifetime warranty, option between household charging pile, services of lifetime free charging in XPeng-branded charging station and charging card, lifetime warranty of battery as well as vehicle internet connection services, with deferred revenue balance of RMB2,366,000, RMB85,498,000, RMB308,384,000 and RMB333,476,000 as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

The Group expects that 38% of the transaction price allocated to unsatisfied performance obligations which were accounted for as deferred revenue as March 31, 2021 will be recognized as revenue during the period from April 1, 2021 to March 31, 2022. The remaining 62% will be substantially recognized during the period from April 1, 2022 to March 31, 2032.

20. Manufacturing in Collaboration with Haima Auto

On March 31, 2017, the Group entered into a contract arrangement with Haima Auto for the manufacture of vehicles. The agreement will expire on December 31, 2021, and such agreements are renewable by mutual consent. Pursuant to the arrangement, starting from 2018, Haima Auto provides an annual production capacity of 50,000 units, for the manufacturing of the G3. While Haima is in charge of the day-to-day operations of the plant, the Group retain effective control over the supply chain, the manufacturing process, testing and quality control. For each vehicle produced, the Group will incur manufacturing cost on a per-vehicle basis monthly. The Group did not have any compensation or fees for Haima Auto other than the aforementioned Manufacturing cost.

21. Convertible Redeemable Preferred Shares*Series A Preferred Shares*

On June 9, 2017, the Group issued 1,102,710 Series A Preferred Shares in exchange for an aggregate cash consideration of RMB168,000,000, or RMB152 per share. These 1,102,710 Series A Preferred Shares were split into 27,567,750 Series A Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

On November 27, 2017, the Group issued 2,021,635 Series A Preferred Shares in exchange for an aggregate cash consideration of RMB308,000,000, or RMB152 per share. These 2,021,635 Series A Preferred Shares were split into 50,540,875 Series A Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series A1 Preferred Shares

On January 5, 2018, the Group issued 2,712,095 Series A1 Preferred Shares in exchange for an aggregate cash consideration of RMB460,000,000, or RMB170 per share. These 2,712,095 Series A1 Preferred Shares were split into 67,802,375 Series A1 Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series A2 Preferred Shares

On January 5, 2018, the Group issued 466,856 Series A2 Preferred Shares in exchange for an aggregate cash consideration of RMB100,000,000, or RMB214 per share. These 466,856 Series A2 Preferred Shares were split into 11,671,400 Series A2 Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series B Preferred Shares

On March 26, 2018, the Group issued 6,419,268 Series B Preferred Shares in exchange for an aggregate cash consideration of RMB2,200,000,000, or RMB343 per share. These 6,419,268 Series B Preferred Shares were split into 160,481,700 Series B Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series B1 Preferred Shares

On August 1, 2018, the Company issued 5,330,910 Series B1 Preferred Shares in exchange for an aggregate cash consideration of RMB2,900,000,000, or RMB544 per share. These 5,330,910 Series B1 Preferred Shares were split into 133,272,750 Series B1 Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series B2 Preferred Shares

On August 1, 2018, the Company issued 1,526,543 Series B2 Preferred Shares in exchange for an aggregate cash consideration of RMB955,000,000, or RMB626 per share. These 1,526,543 Series B2 Preferred Shares were split into 38,163,575 Series B2 Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

Series C Preferred Shares

On December 2, 2019, the Company issued 3,183,626 Series C Preferred Shares in exchange for an aggregate cash consideration of US\$300,000,000, equivalent to RMB2,107,860,000, or US\$94, equivalent to RMB662 per share. These 3,183,626 Series C Preferred Shares were split into 79,590,650 Series C Preferred Shares at par value of US\$0.00001 upon a 1:25 share split in March 2020.

On April 10, 2020, the Company issued 26,137,425 Series C Preferred Shares (after a 1:25 share split) in exchange for an aggregate cash consideration of US\$98,519,000, equivalent to RMB693,123,000, or US\$3.77 equivalent to RMB27 per share.

On May 11, 2020, the Company issued 795,907 Series C Preferred Shares (after a 1:25 share split) in exchange for an aggregate cash consideration of US\$3,000,000, equivalent to RMB21,231,000, or US\$3.77, equivalent to RMB27 per share.

On May 26, 2020, the Company issued 318,363 Series C Preferred Shares (after a 1:25 share split) in exchange for an aggregate cash consideration of US\$1,200,000, equivalent to RMB8,555,000, or US\$3.77, equivalent to RMB27 per share.

On July 22, 2020, July 24, 2020, July 29, 2020 and August 6, 2020, the Company issued 207,588,515 Series C Preferred Shares (after a 1:25 share split) in exchange for an aggregate cash consideration of US\$900,000,000, equivalent to RMB6,271,720,000, or US\$4.34, equivalent to RMB30 per share.

The key terms of the Series A Preferred Shares, Series A1 Preferred Shares, Series A2 Preferred Shares, Series B Preferred Shares, Series B1 Preferred Shares, Series B2 Preferred Shares and Series C Preferred Shares (collectively referred as the “Preferred Shares”) are summarized as follows.

Conversion feature

Each Preferred Share shall automatically be converted into Class A Ordinary Shares at the Conversion Price at the time in effect immediately upon the earlier of (a) the consummation of a Qualified IPO; and (b) the date specified by written consent or agreement of 80% holders of each series.

The initial conversion ratio of Preferred Shares to ordinary shares shall be 1:1, subject to adjustments in the event of (i) reorganizations, mergers, consolidations or sales of Assets, (ii) certain issuances of shares below the Conversion Price, (iii) share dividends, subdivisions and combinations of Class A ordinary shares, (iv) other distributions or (v) reclassification or recapitalization of Class A ordinary shares.

The Company determined that there were no beneficial conversion features identified for any of the Preferred Shares during any of the periods. In making this determination, the Company compared the fair value of the ordinary shares into which the Preferred Shares are convertible with the respective effective conversion price at the issuance date. To the extent a conversion price adjustment occurs, as described above, the Company will re-evaluate whether or not a beneficial conversion feature should be recognized.

*Redemption feature**Issuance of Series C, Series B1 and B2 and Series B Preferred Shares*

Upon issuance of Series C, Series B1 and B2 and Series B Preferred Shares, the Company shall redeem, all of the outstanding Preferred Shares held by the requesting holder upon the written request of such holder, at any time after the earliest to occur of: (1) the Company fails to complete a Qualified IPO on or prior to April 16, 2025; (2) a breach by any of the Company, Principal Shareholders or the ESOP Holdco, where applicable, of its obligations that will have a material adverse effect to the Group; (3) A certain shareholder having requested the Company to redeem all or a portion of its shares after the occurrence of the Company's failure to cure, within a reasonable cure period, after the occurrence of a breach by any of the Company, Principal Shareholders or the ESOP Holdco, if where applicable, of its obligations under the specified agreements has, individually or together, caused a material adverse effect on the certain shareholder's business, goodwill, or brand ("A Certain Shareholder Redemption Event").

The redemption amount payable for each Preferred Share upon exercise of the redemption option by the holder, will be an amount equal to the greater of (a) 120% of the Original Issue Price of such Share, and (b) 100% of Original Issue Price plus compounded accrued daily interest (on the basis of a 365-day year basis) at a rate of twelve percent (12%) per annum. Upon the issuance of Series C, the redemption amount payable for each Preferred Share will be an amount equal to the greater of (a) 120% of the Original Issue Price, plus any dividends declared but unpaid thereon, of such Share, and (b) 100% of Original Issue Price plus compounded accrued daily interest (on the basis of a 365-day year basis) at a rate of twelve percent (12%) per annum. Upon redemption event, Series C Preferred Shares shall rank senior to Series B1 and Series B2 Preferred Shares, Series B1 and Series B2 Preferred Shares (the redemption of the Series B2 Preferred Shares shall rank pari passu with the redemption of Series B1 Preferred Shares) shall rank senior to Series B Preferred Shares. Series B Preferred Shares shall rank senior to Series A, Series A1 and Series A2 Preferred Shares. Series A, Series A1 and A2 Preferred Shares (the redemption of the Series A, Series A1 and Series A2 Preferred Shares shall rank pari passu with each other) shall rank senior to ordinary shares.

If any holder of outstanding Preferred Shares chooses to redeem and the Company does not have sufficient funds to pay the Redemption Price, such holder may sell its interests to a third party. If the aggregate price of the Redemption Shares in such sale to third party is less than the Redemption Price of such Redemption Shares, the Company shall be obligated to pay to the Selling Holder the excess, if any, of the Redemption Price over the aggregate price of the Redemption Shares.

Issuance of Series A1 Preferred Shares and Series A2 Preferred Shares

Prior to the issuance of Series A1 and A2 Preferred Shares, the Company shall redeem, at the option of the holder, all of the outstanding Preferred Shares held by the requesting holder, at any time after the earliest to occur of (1) a breach by any of the company, the principals, the principals shareholders of its obligations under the transaction documents, individually or together with other breaches by the foregoing Persons of their obligations under the transaction documents, have a material adverse effect to the company and other members within the Group; (2) any sale, conveyance, lease or disposition of all or substantially all of the Group's assets to a third party other than an entity within the Group; (3) any acquisition,

amalgamation, scheme of arrangement or merger of the Company or other entity within the Group, which the Persons having Control over the Company or such other entity within the Group will discontinue to have Control over the surviving entity; and (4) A Certain Shareholder Redemption Event.

Upon issuance of Series A1 Preferred Shares and Series A2 Preferred Shares, the Company shall redeem, at the option of any holder of outstanding Preferred Shares, all of the outstanding Preferred Shares held by the requesting holder, at any time after the earliest to occur of (1) a breach by any of the company, the principals, the principals shareholders of its obligations under the transaction documents, individually or together with other breaches by the foregoing Persons of their obligations under the transaction documents, have a material adverse effect to the company and other members within the Group; and (2) A Certain Shareholder Redemption Event.

The redemption amount payable for each Preferred Share will be an amount equal to the greater of (a) 120% of the Original Issue Price, plus any dividends declared but unpaid thereon, of such Share, and (b) 100% of Original Issue Price plus compounded accrued daily interest (on the basis of a 365-day year basis) at a rate of twelve percent (12%) per annum.

Liquidation preferences

Liquidation Event means any of the following events: (i) any liquidation, dissolution or winding up of the Company, (ii) any sale, conveyance, lease or disposition of all or substantially all of the Group's assets (including by means of an exclusive licensing of all or substantially all of the Group's intellectual property or similar arrangement) to a third party other than the Group; and (iii) any acquisition, amalgamation, scheme of arrangement or merger of the Company or the Group by or with another entity where the gross or net value of the assets or equities being acquired represents more than 50% of the consolidated total assets or the consolidated net assets of the Group, by means of any transaction or series of related transactions to which the Company or such other Group Company, as applicable, is a party (other than a transaction or series of transactions in which the Persons having Control over the Company or such other Group Companies will continue to have Control over the surviving entity), Provided, however, that the events set forth in the foregoing (ii) or (iii) shall not be deemed a Liquidation Event unless the Majority Preferred Holders have, by written notice to the Company, determined that such events constitute a Liquidation Event. The occurrence of a Liquidation Event will trigger redemption and liquidation of net assets of the Company and distribution of the proceeds to redeem all the Company's equity securities in accordance with the seniority described below, not the Preferred Shares.

In the event of any liquidation, the holders of Preferred Shares have preference over holders of ordinary shares with respect to payment of dividends and distribution of assets. Upon Liquidation Event, Series C Preferred Shares shall rank senior to Series B1 and Series B2 Preferred Shares, Series B1 and Series B2 Preferred Shares (the liquidation preference of the Series B2 Preferred Shares shall rank *pari passu* with the liquidation preference of Series B1 Preferred Shares) shall rank senior to Series B Preferred Shares. Series B Preferred Shares shall rank senior to Series A, Series A1 and Series A2 Preferred Shares. Series A, Series A1 and A2 Preferred Shares (the liquidation preference of the Series A, Series A1 and Series A2 Preferred Shares shall rank *pari passu* with each other) shall rank senior to ordinary shares.

The holders of Preferred Shares and the ordinary shares shall be entitled to receive an amount per share equal to the greater of (a) 120% of the Original Issue Price, plus any dividends declared but unpaid

thereon, of such Share, and (b) 100% of Original Issue Price plus compounded accrued daily interest (on the basis of a 365-day year basis) at a rate of twelve percent (12%) per annum.

After setting aside or paying in full the aggregate Liquidation Preference Amount of the Series C Preferred Shares, the Series B2 Preferred Shares, the Series B1 Preferred Shares, the Series B Preferred Shares, the Series A2 Preferred Shares, the Series A1 Preferred Shares, the Series A Preferred Shares and the Ordinary Shares, the remaining assets of the Company available for distribution to Shareholders, if any, shall be distributed to the holders of Class A and Class B Ordinary Shares and Preferred Shares on a pro rata basis, based on the number of Shares then held by each holder on an as converted basis.

Dividends rights

Each holder of Preferred Shares shall be entitled to receive, prior and in preference to any declaration or payment of any cash or non-cash dividend on the Ordinary Shares, but pari passu with other holders of Preferred Shares, noncumulative dividends at a simple rate of four percent (4%) per annum of the Original Issue Price of such Preferred Shares on each such Preferred Share held by such holder, payable when, as and if declared by the Board. Notwithstanding the foregoing, if the Board shall declare dividends on Ordinary Shares, each holder of any Preferred Shares shall be entitled to receive the higher of (i) four percent (4%) of the Original Issue Price of such Preferred Share, and (ii) the amount of dividends in respect of the Ordinary Shares into which such Preferred Share is then convertible.

Voting rights

The holders of the Preferred Shares shall have the right to one vote for each ordinary share into which each outstanding Preferred Share held could then be converted. The holders of the Preferred Shares vote together with the Ordinary Shareholders, and not as a separate class or series, on all matters put before the shareholders. The holders of the Preferred Shares are entitled to appoint a total of 4 out of 7 directors of the Board.

Conversion upon IPO

Upon the completion of the Company's IPO, all the issued and outstanding Preferred Shares were converted into Ordinary Shares.

Accounting for Series A, A1, A2, B, B1, B2 and C Preferred Shares

Prior to issuance of Series A1 and A2

The Company classified the Series A Preferred Shares as mezzanine equity in the consolidated balance sheets because they were contingently redeemable upon the occurrence of certain liquidation events outside of the Company's control. No accretion was recognized subsequently since it is not probable that the instrument will become redeemable.

Upon issuance of Series A1 and A2

The issuance of Series A1 and A2 Preferred Shares concurrently amended terms of Series A Preferred Shares. Key changes include 1) changing from all shareholders sharing net asset on pro rate basis upon

liquidation to having liquidation preference based on the formula and a distribution waterfall and 2) under the liquidation event, an investor shall receive an amount equal to the higher of a) 120% of the original investment amount, and b) 100% of the original investment plus compounded accrued daily interest (on the basis of a 365-day year basis) at a rate of twelve percent (12%) per annum. The management assessed the amendments quantitatively using the fair value model to Series A and concluded Series A should be accounted for as an extinguishment based on the assessment.

Post issuance of Series A1 and A2, the Company classified the Series A, Series A1 and A2 Preferred Shares as mezzanine equity in the consolidated balance sheets because they were contingently redeemable upon the occurrence of certain liquidation events outside of the Company's control. No accretion was recognized subsequently since it is not probable that the instrument will become redeemable.

Upon issuance of Series B

The issuance of Series B Preferred Shares concurrently amended terms of Series A, A1 and A2 Preferred Shares. Key changes include (i) under a redemption event, if any holder of outstanding Preferred Shares chooses to sell its interests to a third party but the aggregate price of the Redemption Shares in such sale to third party is less than the Redemption Price of such Redemption Shares, the Company shall be obligated to pay to the Selling Holder the excess, if any, of the Redemption Price over the aggregate price of the Redemption Shares; (ii) if the Company fails to complete a Qualified IPO on or prior to April 16, 2025, the redemption event is triggered.

Prior to the issuance of Series B, the Company was not obligated to pay to the Selling Holder the excess, if any, of the Redemption Price over the aggregate price of the Redemption Shares in the event redemption rights of the Series A, A1 and A2 Preferred Shares were triggered; hence, the redemption right did not meet the definition of a derivative under ASC 815. Upon the amendment, the time-based redemption right of Series A, A1 and A2 Preferred Shares, was deemed to have the characteristic of net settlement, and therefore the redemption right met the definition of a derivative. Accordingly, this feature was bifurcated and accounted for as a derivative liability, initially measured at fair value with changes in fair value in the subsequent periods recognized through earnings, as the feature is not considered clearly and closely related to the host. The Company concluded that the amendment to Series A, A1 and A2 should be accounted for as an extinguishment or modification based on its assessment on the amendments both qualitatively and quantitatively.

Post issuance of Series B

The net settlement mechanism of the redemption right described earlier exist in Series B, B1, B2 and C Preferred Shares subsequently issued. Therefore, the redemption right of Series B, B1 and B2 also met the definition of a derivative and was bifurcated and accounted for as derivative liabilities, which are initially measured at fair value with changes in fair value in the subsequent periods recognized through earnings, as the host contract of the Preferred Shares is considered to be an equity host and the redemption feature is not clearly and closely related to the host contract. The initial carrying value for each series of Preferred Shares recorded in mezzanine equity is allocated on a residual basis, after the recognition of the redemption option at its fair value upon bifurcation. The mezzanine equity component is subsequently accreted to the amount equals to redemption value of each series of Preferred Shares, less the-then fair value of the derivative liability using the interest method.

Accounting for extinguishment or modification

The Company concluded that the amendments to the convertible redeemable preferred shares should be accounted for as an extinguishment or modification based on its assessment both qualitatively and quantitatively. A qualitative assessment may be appropriate when the amendments to the convertible redeemable preferred shares are either so inconsequential or so significant that the Company can easily determine how the amendment should be accounted for without performing a quantitative test. When the amendments of preferred stock cannot be assessed qualitatively, a quantitative test is performed to determine whether the amendment should be accounted for as a modification or an extinguishment. If the fair value of the convertible redeemable preferred shares immediately before and after the amendment is substantially different, the amendment will be accounted for as an extinguishment; otherwise, the amendment will be accounted for as a modification. If the assessment resulted in an extinguishment, then the difference between the fair value of the modified preferred shares and the carrying value of the original preferred shares immediately before the modification shall be recognized as a reduction of, or increase to, retained earnings as a deemed dividend. If the assessment resulted in a modification, the difference between the fair value of the preferred shares immediately before and after the modification shall be recognized a reduction of, or increase to, retained earnings as a deemed dividend.

Accounting for a put option of an investor

In April 2020, the Company issued certain Series C to an investor, which is a fund (“Investor Fund”) owned by a partnership. As part of the arrangement, the Company provided a put option to a limited partner (“LP”) of the Investor Fund pursuant to which the LP shall have the right to redeem its LP interests in the Investor Fund (not Series C issued by the Company) with the principal amounting to RMB300,000,000 plus 8% annualized interest (“Fund Redemption Price”) in the event the Company was not able to reach a business agreement with the LP on or before December 31, 2020. The redemption right of the LP is accounted for as a freestanding put option at fair value, which was immaterial as of December 31, 2020. On February 28, 2021, the put option became due and invalid and the LP did not exercise its redemption right.

The Company's Preferred Shares activities for the years ended December 31, 2018, 2019 and 2020 are summarized below:

	Redeemable Ordinary Shares		Series A		Series A1		Series A2		Series B		Series B1		Series B2		Series C		Total	
	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)
Balances as of December 31, 2017	15,753,000	11,201	88,281,125	499,397	-	-	-	-	-	-	-	-	-	-	-	-	104,034,125	510,598
Issuance of Preferred Shares of Series A1 and A2 on January 5, 2018	-	-	-	-	67,802,375	460,000	11,671,400	100,000	-	-	-	-	-	-	-	-	79,473,775	560,000
Extinguishment of mezzanine equity upon the completion of the issuance of Series A1 and A2 on January 5, 2018	-	-	-	(474,376)	-	-	-	-	-	-	-	-	-	-	-	-	-	(474,376)
Recognition of mezzanine equity upon the completion of the issuance of Series A1 and A2 on January 5, 2018	-	-	-	508,923	-	-	-	-	-	-	-	-	-	-	-	-	-	508,923
Issuance of Preferred Shares of Series B on March 26 2018	-	-	-	-	-	-	-	-	160,481,700	1,823,954	-	-	-	-	-	-	160,481,700	1,823,954
Modification of mezzanine equity upon the completion of the issuance of Series B on March 26, 2018	-	-	-	(12,088)	-	(10,597)	-	(2,360)	-	-	-	-	-	-	-	-	-	(25,045)
Extinguishment of mezzanine equity upon the completion of the issuance of Series B on March 26, 2018	-	-	-	(25,021)	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,021)
Recognition of mezzanine equity at fair value upon the completion of the issuance of Series B on March 26, 2018	-	-	-	33,395	-	-	-	-	-	-	-	-	-	-	-	-	-	33,395
Issuance of Preferred Shares of Series B1 and B2 on August 1, 2018	-	-	-	-	-	-	-	-	-	-	133,272,750	2,565,113	38,163,575	841,199	-	-	171,436,325	3,406,312
Accretion on Preferred Shares to redemption value	-	-	-	35,518	-	49,178	-	10,362	-	450,449	-	120,386	-	39,436	-	-	-	705,329
Derecognition of mezzanine equity classified as Preferred Shares	-	-	(10,172,500)	(33,395)	-	-	-	-	-	-	-	-	-	-	-	-	(10,172,500)	(33,395)
Derecognition of mezzanine equity classified as Redeemable Ordinary Shares	(15,753,000)	(11,201)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,753,000)	(11,201)
Balances as of December 31, 2018	-	-	78,108,625	532,353	67,802,375	498,581	11,671,400	108,002	160,481,700	2,274,403	133,272,750	2,685,499	38,163,575	880,635	-	-	489,500,425	6,979,473
Issuance of Preferred Shares post extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accretion on Preferred Shares to redemption value post extinguishment	-	-	-	65,206	-	61,073	-	13,255	-	287,695	-	394,944	-	119,880	-	18,997	-	961,050
Repurchase of the Preferred Shares	-	-	-	-	-	-	-	-	-	-	-	-	(2,197,900)	(48,447)	-	-	(2,197,900)	(48,447)
Balances as of December 31, 2019	-	-	78,108,625	597,559	67,802,375	559,654	11,671,400	121,257	160,481,700	2,562,098	133,272,750	3,080,443	35,965,675	952,068	79,590,650	1,820,399	566,893,175	9,693,478
Issuance of Preferred Shares of Series C	-	-	-	-	-	-	-	-	-	-	-	-	-	-	234,840,210	6,639,361	234,840,210	6,639,361
Accretion on Preferred Shares to Redemption Value post Extinguishment	-	-	-	64,863	-	60,854	-	13,635	-	332,743	-	586,803	-	186,043	-	912,803	-	2,157,744
Conversion of Preferred Shares to Ordinary Shares upon the completion of the IPO	-	-	(78,108,625)	(662,422)	(67,802,375)	(620,508)	(11,671,400)	(134,892)	(160,481,700)	(2,894,841)	(133,272,750)	(3,667,246)	(35,965,675)	(1,138,111)	(314,430,860)	(9,372,563)	(801,733,385)	(18,490,583)
Balances as of December 31, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The Company's Preferred Shares activities for the three months ended March 31, 2020 are summarized below:

	Series A		Series A1		Series A2		Series B		Series B1		Series B2		Series C		Total	
	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)	Number of shares	Amount (RMB'000)
(Unaudited)																
Balances as of December 31, 2019	78,108,625	597,559	67,802,375	559,654	11,671,400	121,257	160,481,700	2,562,098	133,272,750	3,080,443	35,965,675	952,068	79,590,650	1,820,399	566,893,175	9,693,478
Accretion on Preferred Shares to redemption value post extinguishment	-	25,641	-	24,123	-	5,129	-	101,561	-	92,642	-	22,467	-	13,730	-	285,293
Balances as of March 31, 2020	78,108,625	623,200	67,802,375	583,777	11,671,400	126,386	160,481,700	2,663,659	133,272,750	3,173,085	35,965,675	974,535	79,590,650	1,834,129	566,893,175	9,978,771

Upon the completion of the Company's IPO, all the outstanding Preferred Shares were converted into Ordinary Shares. No mezzanine equity was recognized as of December 31, 2020 and March 31, 2021.

22. Ordinary Shares

As of December 31, 2018, the Company authorized 169,711,986 ordinary shares of par value US\$0.00025, among which 18,527,598 shares were issued (before the 1:25 share split in March 2020) and 13,976,562 shares were outstanding.

Upon closing of the issuance of Series C Preferred Shares on December 2, 2019, the Company adopted a dual voting structure on its shares and the Company's ordinary shares were divided into Class A and Class B ordinary shares, accordingly.

Holders of Class A ordinary shares and Class B ordinary shares have the same rights, except for voting rights. Holders of Class A ordinary shares are entitled to one vote per share in all shareholders' meetings, while holders of Class B ordinary shares are entitled to five votes per share.

After a share split effective on March 30, 2020, the Company authorized 3,492,799,650 Class A and 750,000,000 Class B ordinary shares of par value US\$0.00001.

As of December 31, 2019, 131,955,575 Class A ordinary shares had been issued, 31,513,000 Class A ordinary shares outstanding and 331,234,375 Class B ordinary shares had been issued and outstanding.

The Company repurchased and canceled 100,442,575 Class A ordinary shares with a par value of US\$0.00001 per share which are currently held by Success Sharing Development Holding Limited on June 28, 2020. On the same day, 17,643,400 of Class A ordinary shares at par value of US\$0.00001 per share was issued to Quack Holding Limited and 33,349,070 Class A Ordinary Shares at par value of US\$0.00001 per share was issued to XPeng Fortune Holding Limited.

On August 6, 2020, 9,695,210 Class A Ordinary Shares at par value of US\$0.00001 per share was issued to XPeng Fortune Holding Limited. On the same day, 14,850,560 of Class A ordinary shares at par value of US\$0.00001 per share was issued to Quack Holding Limited for the vested of RSU.

On August 27, 2020, the Group consummated its IPO on the NYSE, where 229,386,666 ordinary shares were newly issued with the total net proceeds of RMB11,409,248,000 (US\$1,655,678,000). Upon closing of the IPO, the Company's ordinary shares were divided into Class A, Class B and Class C ordinary shares. Holders of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares have the same rights, except for voting rights. Holders of Class A ordinary shares are entitled to one vote per share, holders of Class B ordinary shares are entitled to ten votes per share, while holders of Class C ordinary shares are entitled to five votes per share in all shareholders' meetings.

Upon the completion of the IPO, the Company authorized 8,850,000,000 Class A ordinary shares, 750,000,000 Class B ordinary shares and 400,000,000 Class C ordinary shares of par value US\$0.00001.

On December 14, 2020, the Group consummated its FO on the NYSE, where 110,400,000 Class A ordinary shares were newly issued with the total net proceeds of RMB15,980,227,000 (US\$2,444,930,000).

As of December 31, 2020, 971,341,066 Class A ordinary shares had been issued, 928,296,786 Class A ordinary shares outstanding, 429,846,136 Class B ordinary shares and 178,618,464 Class C ordinary shares had been issued and outstanding.

The Group issued 29,843,750 and 3,404,646 Class A ordinary shares in February and March, 2021, respectively, out of which, 25,127,084 Class A ordinary shares are outstanding and 8,121,312 Class A ordinary shares are treasury shares held by XPeng Inc.

XPeng Fortune Holding Limited transferred 18,662,380 and 6,572,260 Class A ordinary shares to employees for the vested RSUs in February and March, 2021, respectively.

As of March 31, 2021, 1,004,589,462 Class A ordinary shares had been issued, 978,658,510 Class A ordinary shares outstanding, 429,846,136 Class B ordinary shares and 178,618,464 Class C ordinary shares had been issued and outstanding.

23. Share-based Compensation

(a) Share options

During the period between 2015 and the first quarter of 2020, the Group granted share options to the employees to purchase its shares. One share option represents a right to purchase one Class A ordinary share of the Group with exercise price of RMB0.0004. The share options include both service condition and performance condition. For service condition, there are three types of vesting schedule, which are: (i) 25% of the share options shall become vested on each anniversary of the vesting commencement date for four years thereafter; (ii) 40% of the share options shall become vested on the grant date and 15% of the share options become vested on each anniversary of the vesting commencement date for four years thereafter; (iii) 85% of the share options shall become vested on the grant date and 3.75% of the share options become vested on each anniversary of the vesting commencement date for four years thereafter. In addition to the services condition, employees are also required to provide continued service through the satisfaction of the occurrence of Liquidity Event that occurs within seven years after the vesting commencement date. If no Liquidity Event occurs prior to the seventh anniversary of the vesting commencement date, all share options, even those for which the service condition have been satisfied, shall be forfeited.

Share options granted are measured at the grant date fair value of the awards and recognized as expenses using graded vesting method, net of estimated forfeitures, if any, over the requisite service period. Given the vesting of the share options granted is contingent upon the occurrence of the Liquidity Event, there is no share-based compensation expense being recognized before the Replacement (Note 2(aa)).

Activities of the Group's share options during the years ended December 31, 2018, 2019, 2020 and the three months ended March 31, 2020 were as follow:

	Number of Options Outstanding	Weighted Average Exercise Price <i>RMB</i>	Weighted Average Remaining Contractual Life <i>In Years</i>
Outstanding as of December 31, 2017	31,472,750	0.0004	5.72
Granted	44,706,900	0.0004	

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
		RMB	In Years
Forfeited	(1,088,010)		
Outstanding as of December 31, 2018	75,091,640	0.0004	5.56
Granted	23,599,310	0.0004	
Forfeited	(7,552,250)		
Outstanding as of December 31, 2019	91,138,700	0.0004	5.32
Granted	3,788,750		
Forfeited	(2,273,720)		
Replacement	(92,653,730)		
Outstanding as of December 31, 2020	—		
(Unaudited)			
Outstanding as of December 31, 2019	91,138,700	0.0004	5.32
Granted	3,788,750	0.0004	
Forfeited	(2,273,720)		
Outstanding as of March 31, 2020	92,653,730	0.0004	4.92

No share-based compensation expenses were recognized for share options during the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021. As of December 31, 2018, 2019 and 2020 and March 31, 2021, there were RMB183,244,000, RMB342,683,000, nil and nil of unrecognized share-based compensation expenses in relation to the share options granted to the Group's employees, out of which, unrecognized share-based compensation expenses were RMB58,176,000, RMB86,205,000, nil and nil in relation to share options for which the service condition had been met and are expected to be recognized when the performance condition is achieved.

The fair value of each share options granted was estimated on the date of each grant using the Binomial option-pricing model with the assumptions (or ranges thereof) in the following table:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>(Unaudited)</i>				
Expected term (years) (Note (i))	7	7	7	7	N/A
Exercise price (RMB)	0.0004	0.0004	0.0004	0.0004	N/A
Fair value of the ordinary shares on the date of option grant (RMB)	2.51 ~ 8.08	8.36 ~ 8.60	8.36 ~ 8.53	8.36 ~ 8.53	N/A
Risk-free interest rate (Note (ii))	3.03% ~ 3.68%	2.66% ~ 3.31%	3.10% ~ 3.31%	3.10% ~ 3.31%	N/A
Expected dividend yield (Note (iii))	0.00%	0.00%	0.00%	0.00%	N/A
Expected volatility (Note (iv))	34.28% ~ 34.39%	33.32% ~ 33.56%	33.35% ~ 33.56%	33.35% ~ 33.56%	N/A

Notes:

- (i) Expected term is the contract life of the options.
- (ii) The risk-free interest rate of periods within the contractual life of the share option based on the market yield of US Treasury Curve adjusted with the China country risk premium.

- (iii) The dividend yield was estimated by the Company based on its expected dividend policy over the contractual term of the options.
- (iv) The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the contractual term of the options.

(b) Restricted share units and restricted shares upon and subsequent to the Replacement

After the Replacement mentioned in Note 2(aa), all share options granted during the period between 2015 and the first quarter of 2020 were replaced by 75,010,330 RSUs and 17,643,400 restricted shares.

The Replacement did not change the classification and vesting condition of Share-based Awards as equity instruments. No additional share-based compensation expenses were recognized as there was no incremental fair value change immediately before and after the Replacement. Therefore, the replacement awards should be accounted for in the same way as its original awards.

Additional RSUs were granted to the employees in 2020. One RSU represents a right relating to one class A ordinary share of the Group with a par value of US\$0.00001 per share.

The RSUs primarily include both service condition and performance condition. For service condition, vesting schedules include: (i) vesting schedules mentioned in Note 23(a); (ii) 25% of the RSUs shall become vested on the first anniversary of the vesting commencement date, and the remaining 75% of the RSUs shall become vested in equal installments on each quarterly anniversary of the vesting commencement date for three years thereafter. In addition to the services condition, employees are also required to provide continued service through the satisfaction of the occurrence of Liquidity Event that occurs within seven or ten years after the vesting commencement date. If no Liquidity Event occurs prior to the seventh or tenth anniversary of the vesting commencement date, all RSUs, even those for which the service condition has been satisfied, shall be forfeited.

The Group granted RSUs in 2020 with only performance condition and the RSUs would be vested upon the occurrence of the Liquidity Event. The Group also granted RSUs in 2020 with no conditions and the RSUs would be vested upon grant.

The RSUs granted prior to the completion of the IPO are measured at the grant date fair value of the awards and recognized as expenses using graded vesting method, net of estimated forfeitures, if any, over the requisite service period.

Subsequent to the completion of the IPO, the Group granted RSUs with only service condition to employees and the RSUs would be vested on a straight-line basis over the requisite service period.

Activities of the Group's RSUs for the year ended December 31, 2020 and the three months ended March 31, 2021 were as follow:

	Number of restricted share units	Weighted average grant- date fair value
		<i>RMB</i>
Outstanding as of December 31, 2019	–	–
Replacement	75,010,330	4.87
Granted	39,313,515	27.70
Vested	(63,314,483)	11.66
Forfeited	(2,721,228)	11.05
Outstanding as of December 31, 2020	48,288,134	14.20
Expected to vest as of December 31, 2020	44,425,083	
	Number of restricted share units	Weighted average grant- date fair value
		<i>RMB</i>
Outstanding as of December 31, 2020	48,288,134	14.20
Granted	2,289,050	147.32
Vested	(1,510,365)	8.76
Forfeited	(778,848)	22.71
Outstanding as of March 31, 2021	48,287,971	21.46
Expected to vest as of March 31, 2021	44,424,933	

Activities of the Group's restricted share for the year ended December 31, 2020 were as follow:

	Number of restricted shares	Weighted average grant- date fair value
		<i>RMB</i>
Outstanding as of December 31, 2019	–	–
Replacement	17,643,400	2.51
Vested	(17,643,400)	2.51
Outstanding as of December 31, 2020	–	

Share-based compensation expenses amounting to RMB996,417,000 and RMB90,276,000 were recognized for restricted share units and restricted shares upon and subsequent to the Replacement for the year ended December 31, 2020 and the three months ended March 31, 2021. As of March 31, 2021, there was RMB651,050,000 of unrecognized compensation expense relating to the restricted share units and restricted shares upon and subsequent to the Replacement, and the expense is expected to be recognized over a weighted average period of 2.04 years.

(c) Restricted shares

On May 7, 2016, two co-founders entered into an arrangement with other investors of the Company, and 75% of their 80,000,000 ordinary shares ("Restricted Shares") would be subject to requisite service conditions, which shall vest 25%, 25% and 25% in 2016, 2017 and 2018.

On January 5, 2018, two co-founders entered into an arrangement with other investors of the Company, and the number of Restricted Shares is modified to one-third of their ordinary shares held as of January 5, 2018, which is 26,666,675 shares. 50% of the Restricted Shares shall become vested on each anniversary of January 5, 2018 for 2 years thereafter.

As of January 5, 2018, only 50% of the Restricted Shares, which is 40,000,000 shares, were vested. Before the modification, there were 40,000,000 unvested Restricted Shares, among which 20,000,000 Restricted Shares to be vested on January 9, 2018 and 20,000,000 Restricted Shares to be vested on January 9, 2019. Upon the modification, there were 26,666,675 unvested Restricted Shares, and each 13,333,325 Restricted Shares to be vested on January 5, 2019 and January 5, 2020, respectively. There were effectively two modifications in the arrangement. Since the Restricted Shares after modifications are still subject to the service condition, excess of the fair value of the modified awards over the fair value of the original awards immediately before the terms are modified at the modification date is considered immaterial. For the reduction of 13,333,325 shares, which is the difference of unvested 40,000,000 shares and 26,666,675 shares, it is effectively a modification to shorten the requisite service period ending from January 9, 2018 to January 5, 2018. Share-based compensation expenses were recognized immediately. Given there is no future requisite service period for the 13,333,325 shares, there is no incremental expense to be further recognized. For the remaining 26,666,675 unvested Restricted Shares, the requisite service period was extended. Unrecognized share-based compensation expenses were recognized over the remaining two years of modified requisite service period.

On March 26, 2018, two co-founders entered into an arrangement with other investors of the Company, and Restricted Shares would be subject to requisite service conditions. 50% of the Restricted Shares shall become vested on each anniversary of January 1, 2018 for 2 years thereafter. Pursuant to the arrangement, the vesting commencement date is changed from January 5, 2018 to January 1, 2018 and it is effectively a modification to shorten the requisite service period. Share-based compensation expenses were recognized over the modified requisite service period.

The restricted shares granted to two co-founders were measured at the grant date fair value of the awards and recognized as expenses using graded vesting method, net of estimated forfeitures, if any, over the requisite service period.

Vesting schedule of the Restricted Shares during the years ended December 31, 2018 and 2019 was as follow:

	<u>Number of shares</u>	<u>Weighted average grant date fair value</u> RMB
Unvested as of December 31, 2017	40,000,000	10.16
Vested	<u>(26,666,675)</u>	—
Unvested as of December 31, 2018	13,333,325	10.16
Vested	<u>(13,333,325)</u>	—
Unvested as of December 31, 2019	<u>—</u>	—

All the Restricted Shares have been vested as of December 31, 2019. No Vesting Schedule of the Restricted Shares during the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021 was presented.

Share-based compensation expenses amounting to RMB1,630,000, RMB517,000, nil, nil and nil in relation to the Restricted Shares was recognized during years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, respectively.

24. Taxation

(a) Income taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

BVI

XPeng Limited is exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries of the Group incorporated in Hong Kong are subject to 16.5% Hong Kong profits tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

United States

The applicable income tax rate of United States where the Company's subsidiaries having significant operations for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021 is 27.98%, which is a blended state and federal rate.

PRC

The PRC Enterprise Income Tax Law ("EIT Law"), which became effective on January 1, 2008, applies a uniform enterprise income tax ("EIT") rate of 25% to both foreign-invested enterprises ("FIEs") and domestic enterprises. Certified High and New Technology Enterprises ("HNTE") are entitled to a favorable statutory tax rate of 15%, but need to re-apply every three years. During this three-year period, an HNTE must conduct a qualification self-review each year to ensure it meets the HNTE criteria and is eligible for the 15% preferential tax rate for that year. If an HNTE fails to meet the criteria for qualification as an HNTE in any year, the enterprise cannot enjoy the 15% preferential tax rate in that year, and must instead use the regular 25% EIT rate.

Xiaopeng Technology applied for the HNTE qualification and received approval in December 2019. Xiaopeng Technology is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2019 through 2021.

Zhaoqing XPeng applied for the HNTE qualification and received approval in December 2020. Zhaoqing XPeng is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2020 through 2022.

Under the EIT Law enacted by the National People's Congress of the PRC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the "beneficial owner" and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with the PRC.

In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely. The Group did not record any dividend withholding tax, as it has no retained earnings for any of the years presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the

place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. Should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%.

According to 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”).

Composition of income tax expenses for the periods presented are as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2020 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i>
Current income tax expenses	—	1	1,223	—	—
Deferred income tax expenses	—	—	—	—	—
Income tax expenses	<u>—</u>	<u>1</u>	<u>1,223</u>	<u>—</u>	<u>—</u>

Reconciliations of the income tax expenses computed by applying the PRC statutory income tax rate of 25% to the Group's income tax expenses of the years presented are as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax expenses	(1,398,823)	(3,691,672)	(2,730,762)	(649,761)	(786,561)
Income tax expenses computed at the PRC statutory income tax rate of 25%	(349,706)	(922,918)	(682,691)	(162,440)	(196,640)
Effect of tax holiday	–	271,242	111,756	30,536	19,762
Effect of change in tax rate	–	213,331	13,920	–	–
Effect of different tax rate of different jurisdictions	(64,793)	(9,853)	(393,384)	1,059	(9,120)
Effect of additional deduction for qualified R&D expenses	(127,329)	(236,704)	(156,713)	(25,236)	(42,190)
Non-deductible expenses	1,421	2,050	234,328	278	18,814
Changes in valuation allowance	540,407	682,853	874,007	155,803	209,374
Income tax expenses	<u>–</u>	<u>1</u>	<u>1,223</u>	<u>–</u>	<u>–</u>
Effect of tax holiday inside the PRC on basic and dilutive loss per share	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The PRC statutory income tax rate is used because the majority of the Group's operations are based in the PRC.

(b) Deferred tax

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying business. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

	As at December 31,			As at March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
Net operating loss carry-forwards	594,035	1,256,218	2,036,152	2,246,081
Deferred revenue	—	9,168	57,000	49,782
Government grants	—	11,579	43,145	43,107
Impairment of property, plant and equipment	—	11,878	21,802	21,680
Impairment of inventory	—	27,341	11,233	9,451
Accruals and others	64,056	24,760	45,619	54,224
Valuation allowance	(658,091)	(1,340,944)	(2,214,951)	(2,424,325)
Total deferred tax assets, net	—	—	—	—

Full valuation allowances have been provided where, based on all available evidence, management determined that deferred tax assets are not more likely than not to be realizable in future tax years. Movement of valuation allowance is as follow:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Valuation allowance					
Balance at beginning of the year/period	117,684	658,091	1,340,944	1,340,944	2,214,951
Additions	545,605	901,491	889,877	155,803	212,937
Loss utilized	(5,198)	(5,307)	(1,950)	—	(3,563)
Effect of change in tax rate	—	(213,331)	(13,920)	—	—
Balance at end of the year/period	658,091	1,340,944	2,214,951	1,496,747	2,424,325

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, with the growth of its business performance, some subsidiaries of the Group made profit and utilized the tax loss brought forward from prior years.

As of March 31, 2021, the Group has tax losses arising in Mainland China of RMB11,192,724,000 that will expire in one to ten years for deduction against future taxable profit.

	<i>RMB'000</i>
Loss expiring in 2021	35,077
Loss expiring in 2022	8,902
Loss expiring in 2023	159,854
Loss expiring in 2024	838,471
Loss expiring in 2025	1,735,522
Loss expiring in 2026	713,868
Loss expiring in 2027	310,939
Loss expiring in 2028	1,584,160
Loss expiring in 2029	4,156,819
Loss expiring in 2030	1,354,404
Loss expiring in 2031	<u>294,708</u>
 Total	 <u><u>11,192,724</u></u>

The Group has tax losses arising in United States and Hong Kong of RMB714,631,000 that will not expire for deduction against future taxable profit.

	<i>RMB'000</i>
United States	472,433
Hong Kong	<u>242,198</u>
 Total	 <u><u>714,631</u></u>

Uncertain Tax Position

The Group did not identify any significant unrecognized tax benefits for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021. The Group did not incur any interest related to unrecognized tax benefits, did not recognize any penalties as income tax expenses and also does not anticipate any significant change in unrecognized tax benefits within 12 months from March 31, 2021.

25. Loss Per Share

Basic loss per share and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings per share for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021 as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Numerator:					
Net loss	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Accretion on Preferred Shares to redemption value	(705,329)	(961,050)	(2,157,744)	(285,293)	—
Deemed dividend due to extinguishment of Preferred Shares	(43,136)	—	—	—	—
Deemed dividend due to modification of Preferred Shares	(41,485)	—	—	—	—
Deemed contribution from repurchase of Preferred Shares	—	9,969	—	—	—
Deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares	(66,091)	—	—	—	—
Net loss attributable to ordinary shareholders of XPeng Inc.	<u>(2,254,864)</u>	<u>(4,642,754)</u>	<u>(4,889,729)</u>	<u>(935,054)</u>	<u>(786,561)</u>
Denominator:					
Weighted average number of ordinary shares outstanding-basic and diluted	<u>330,176,070</u>	<u>349,450,580</u>	<u>754,270,914</u>	<u>362,747,375</u>	<u>1,586,718,206</u>
Basic and diluted net loss per share attributable to ordinary shareholders of XPeng Inc.	<u>(6.83)</u>	<u>(13.29)</u>	<u>(6.48)</u>	<u>(2.58)</u>	<u>(0.50)</u>

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Company had potential ordinary shares, including non-vested restricted shares, share options and RSUs granted and Preferred Shares. As the Group incurred losses for the years ended December 31,

2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, 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 share options excluded from the calculation of diluted net loss per share of the Company were 78,834,504 as of December 31, 2018, 100,442,575 as of December 31, 2019, nil as of December 31, 2020, 93,753,111 as of March 31, 2020 and nil as of March 31, 2021. The weighted average numbers of non-vested RSUs excluded from the calculation of diluted net loss per share of the Company were nil as of December 31, 2018 and 2019, 20,841,866 as of December 31, 2020, nil as of March 31, 2020 and 50,121,587 as of March 31, 2021. The weighted average numbers of non-vested restricted shares excluded from the calculation of diluted net loss per share of the Company were 13,333,325 as of December 31, 2018, nil as of December 31, 2019 and 2020 and March 31, 2020 and 2021. Preferred Shares to be converted into ordinary shares were 352,122,730 as of December 31, 2018, 500,059,108 as of December 31, 2019, nil as of December 31, 2020, 566,893,175 as of March 31, 2020 and nil as of March 31, 2021 on a weighted average basis.

26. Related parties

The principal related parties with which the Group had major transactions during the years/periods presented are as follows:

<u>Name of Entity or Individual</u>	<u>Relationship with the Company</u>
Mr. Xiaopeng He	Principal Shareholder of the Company, Chairman of the Board and Chief Executive Officer
Guangzhou Huitian	A Company Controlled by Principal Shareholder
Guangzhou Zhongpeng Investment and Development Co., Ltd.	A Company Controlled by Principal Shareholder
Shenzhen Pengxing Smart Co., Ltd	A Company Controlled by Principal Shareholder

The principal related parties with which the Group had major transactions during the years/periods presented are as follows:

Major transactions with related parties:

- (i) Non-trade in nature

For the year ended December 31, 2020, the loans from the principal shareholder amounted to RMB1,063,434,000 and were repaid as of December 31, 2020 (2018 and 2019: nil). The interest expenses on the loans from the principal shareholder were RMB5,922,000 (2018 and 2019: nil).

For the three months ended March 31, 2020 and 2021, the loans from the principal shareholder amounted to RMB1,063,434,000 and nil were borrowed from the principal shareholder, respectively. The loans from the principal shareholder amounted to RMB151,848,000 and nil were repaid to the principal shareholder, respectively. The interest expenses on the loans from the principal shareholder were RMB3,160,000 and nil, respectively.

(ii) Trade in nature

For the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021, the rental expenses to a company controlled by the principal shareholder amounted to RMB10,150,000, RMB2,537,000 and RMB2,537,000, respectively (2018 and 2019: nil).

For the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021, the purchase of fixed assets from a company controlled by the principal shareholder amounted to RMB999,000, nil and nil, respectively (2018 and 2019: nil).

For the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021, the services income from the companies controlled by the principal shareholder amounted to RMB166,000, nil and RMB1,300,000, respectively (2018 and 2019: nil).

Major balances with related parties:

(i) Non-trade in nature

As of December 31, 2018 and 2019, amounts due from related parties primarily represent the deposit and prepayment amounting to RMB20,425,000 paid on behalf of the principal shareholder. As of December 31, 2020, the amounts have been settled.

(ii) Trade in nature

As of December 31, 2020 and March 31, 2021, amounts due from related parties amounting to RMB682,000 and RMB588,000 mainly represent the receivables for the services provided to companies controlled by the principal shareholder, respectively.

As of December 31, 2020 and March 31, 2021, amounts due to related parties represent the payables for rental expenses amounting to RMB11,063,000 and RMB13,829,000 to a company controlled by the principal shareholder, and the payables for asset purchased amounting to RMB999,000 and nil to a company controlled by the principal shareholder, respectively.

27. Commitments and Contingencies**(a) Capital commitments**

Capital expenditures contracted for at the balance sheet dates but not recognized in the consolidated financial statements are as follows:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	740,482	160,844	259,417	546,648
Investments	—	410,000	44,392	19,900
Total	740,482	570,844	303,809	566,548

(b) Purchase commitments

Purchase expenditures contracted for at the balance sheet dates but not recognized in the consolidated financial statements are as follows:

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Purchase commitments on purchase of raw materials	—	—	2,315,188	2,832,559

28. Subsequent events

(a) Cooperation with Wuhan Economic & Technological Development Zone Management Committee (“Wuhan ETDZ Committee”)

On April 8, 2021, the Group entered into an investment agreement with Wuhan ETDZ Committee, a local government authority in Wuhan. Pursuant to the investment agreement, Wuhan ETDZ Committee agrees to support the Group's construction of a new Smart EV manufacturing base and R&D center in Wuhan Economic & Technological Development Zone.

(b) Investment in a business related to intelligent robot

The Group completed the acquisition of a company in April 2021 to acquire its 19.9% equity interest for a total cash consideration of RMB19,900,000.

(c) Acquisition of a company primarily engaged in the land surface mobile surveying and mapping

On May 20, 2021, the Group entered into a restructuring agreement to acquire 100% of the equity interest of a company who is primarily engaged in the operation of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps and possesses Surveying and Mapping Qualification Certificate with cash consideration of RMB250 million.

29. Restricted Net Assets

The Group's ability to pay dividends is primarily dependent on the Group receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's subsidiaries, consolidated VIEs and VIEs' subsidiaries incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Group's subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment, a foreign invested enterprise established in the PRC is required to provide certain statutory reserve funds, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profits as reported in the enterprise's PRC statutory financial statements. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profits to the general reserve fund until such reserve fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserved funds can only be used for specific purposes and are not distributable as cash dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory surplus fund at least 10% of its annual after-tax profits until such statutory surplus fund has reached 50% of its registered capital based on the enterprise's PRC statutory financial statements. A domestic enterprise is also required to provide discretionary surplus fund, at the discretion of the board of directors, from the net profits reported in the enterprise's PRC statutory financial statements. The aforementioned reserve funds can only be used for specific purposes and are not distributable as cash dividends.

As a result of these PRC laws and regulations that require annual appropriations of 10% of net after-tax profits to be set aside prior to payment of dividends as general reserve fund or statutory surplus fund, the Group's PRC subsidiaries, consolidated VIEs and VIEs' subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company.

Amounts restricted include paid-in capital and statutory reserve funds, less accumulated deficit if as determined pursuant to PRC GAAP, totaling approximately RMB5,026,063,000, RMB6,320,933,000, RMB27,751,253,000 and RMB28,302,117,000 as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively; therefore in accordance with Rules 4-08 (e) (3) of Regulation S-X, the condensed parent company-only financial statements as of December 31, 2018, 2019 and 2020 and March 31, 2021 and for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021 are disclosed in Note 30.

30. Company Financial Statements

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 it was applicable for the Company to disclose the financial information for the Company only.

The subsidiaries did not pay any dividend to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, or guarantees as of December 31, 2018, 2019 and 2020 and March 31, 2021.

Condensed Balance Sheets	As of December 31,			As of
	2018	2019	2020	March 31,
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
ASSETS				
Current assets				
Cash and cash equivalents	–	269,169	24,760,588	22,553,656
Restricted cash	–	–	114,321	39,339
Short-term deposits	–	–	979,897	988,711
Prepayments and other current assets	–	–	12,931	16,720
Derivative assets	–	–	105,183	–
Total current assets	<u>–</u>	<u>269,169</u>	<u>25,972,920</u>	<u>23,598,426</u>
Non-current assets				
Investments in subsidiaries and VIEs	<u>5,431,263</u>	<u>3,490,970</u>	<u>8,471,310</u>	<u>10,258,924</u>
Total non-current assets	<u>5,431,263</u>	<u>3,490,970</u>	<u>8,471,310</u>	<u>10,258,924</u>
Total assets	<u>5,431,263</u>	<u>3,760,139</u>	<u>34,444,230</u>	<u>33,857,350</u>
Liabilities				
Current liabilities				
Accruals and other liabilities	–	–	14,421	13,936
Derivative liabilities	–	–	–	8,798
Total current liabilities	<u>–</u>	<u>–</u>	<u>14,421</u>	<u>22,734</u>
Non-current liabilities				
Derivative liabilities	<u>637,015</u>	<u>897,091</u>	<u>–</u>	<u>–</u>
Total non-current liabilities	<u>637,015</u>	<u>897,091</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>637,015</u>	<u>897,091</u>	<u>14,421</u>	<u>22,734</u>

Condensed Balance Sheets	As of December 31,			As of
	2018	2019	2020	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
MEZZANINE EQUITY				
Series A Preferred Shares	532,353	597,559	—	—
Series A1 Preferred Shares	498,581	559,654	—	—
Series A2 Preferred Shares	108,002	121,257	—	—
Series B Preferred Shares	2,274,403	2,562,098	—	—
Series B1 Preferred Shares	2,685,499	3,080,443	—	—
Series B2 Preferred Shares	880,635	952,068	—	—
Series C Preferred Shares	—	1,820,399	—	—
Total mezzanine equity	<u>6,979,473</u>	<u>9,693,478</u>	<u>—</u>	<u>—</u>
SHAREHOLDERS' (DEFICIT) EQUITY				
Ordinary shares	21	—	—	—
Class A Ordinary shares	—	2	63	66
Class B Ordinary shares	—	19	26	26
Class C Ordinary shares	—	—	12	12
Additional paid-in capital	—	—	46,482,512	46,572,785
Accumulated deficit	(2,182,266)	(6,824,503)	(11,322,423)	(12,108,984)
Accumulated other comprehensive loss	(2,980)	(5,948)	(730,381)	(629,289)
Total shareholders' (deficit) equity	<u>(2,185,225)</u>	<u>(6,830,430)</u>	<u>34,429,809</u>	<u>33,834,616</u>
Total liabilities, mezzanine equity and shareholders' (deficit) equity	<u>5,431,263</u>	<u>3,760,139</u>	<u>34,444,230</u>	<u>33,857,350</u>

Condensed Statements of Comprehensive Loss	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Operating expenses					
Selling, general and administrative expenses	(1,630)	(517)	(13,430)	(425)	(1,578)
Total operating expenses	(1,630)	(517)	(13,430)	(425)	(1,578)
Loss from operations	(1,630)	(517)	(13,430)	(425)	(1,578)
Interest income	—	1,140	43,001	2,020	64,124
Interest expense	—	—	(5,935)	(3,160)	—
Equity in loss of subsidiaries and VIEs	(1,651,554)	(3,719,975)	(4,487,049)	(651,797)	(812,053)
Other non-operating income, net	—	—	369,403	8,569	(35,246)
Fair value gain (loss) on derivative assets/liabilities	254,361	27,679	1,362,025	(4,968)	(1,808)
Loss before income tax expenses	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Income tax expenses	—	—	—	—	—
Net loss	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Accretion on Preferred Shares to redemption value	(705,329)	(961,050)	(2,157,744)	(285,293)	—
Deemed dividend due to extinguishment of Preferred Shares	(43,136)	—	—	—	—
Deemed dividend due to modification of Preferred Shares	(41,485)	—	—	—	—
Deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares	(66,091)	—	—	—	—
Deemed contribution from repurchase of Preferred Shares	—	9,969	—	—	—
Net loss attributable to ordinary shareholders of XPeng Inc.	<u>(2,254,864)</u>	<u>(4,642,754)</u>	<u>(4,889,729)</u>	<u>(935,054)</u>	<u>(786,561)</u>

Condensed Statements of Comprehensive Loss	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u> (Unaudited)	<u>RMB'000</u>
Net loss	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
Other comprehensive loss					
Foreign currency translation adjustment, net of nil tax	<u>(2,980)</u>	<u>(2,968)</u>	<u>(724,433)</u>	<u>(11,976)</u>	<u>101,092</u>
Total comprehensive loss attributable to XPeng Inc.	<u>(1,401,803)</u>	<u>(3,694,641)</u>	<u>(3,456,418)</u>	<u>(661,737)</u>	<u>(685,469)</u>
Accretion on Preferred Shares to redemption value	(705,329)	(961,050)	(2,157,744)	(285,293)	–
Deemed dividend due to extinguishment of Preferred Shares	(43,136)	–	–	–	–
Deemed dividend due to modification of Preferred Shares	(41,485)	–	–	–	–
Deemed dividend due to reclassification from mezzanine equity to ordinary shares upon extinguishment of Redeemable Shares	(66,091)	–	–	–	–
Deemed contribution from repurchase of Preferred Shares	<u>–</u>	<u>9,969</u>	<u>–</u>	<u>–</u>	<u>–</u>
Comprehensive loss attributable to ordinary shareholders of XPeng Inc.	<u>(2,257,844)</u>	<u>(4,645,722)</u>	<u>(5,614,162)</u>	<u>(947,030)</u>	<u>(685,469)</u>

Condensed Statements of Cash Flows	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>
Cash flows from operating activities	—	1,140	23,636	(153,413)	57,356
Cash flows from investing activities					
Placement of time deposit	—	—	(979,897)	—	—
Investment in equity investees	—	(1,658,783)	(8,512,932)	(946,609)	(2,332,800)
Maturities of derivative assets	—	—	—	—	112,173
Net cash used in investing activities	—	(1,658,783)	(9,492,829)	(946,609)	(2,220,627)
Cash flows from financing activities					
Proceeds from issuance of Preferred Shares	—	1,926,812	6,561,323	—	—
Proceeds from IPO, net of issuance cost	—	—	11,410,386	—	—
Proceeds from FO, net of issuance cost	—	—	15,988,903	—	—
Loans from a related party	—	—	—	1,063,434	—
Repayment of loans to a related party	—	—	—	(151,848)	—
Payments of listing expenses	—	—	—	—	(4,322)
Net cash provided by (used in) financing activities	—	1,926,812	33,960,612	911,586	(4,322)
Net increase (decrease) in cash, cash equivalents and restricted cash	—	269,169	24,491,419	(188,436)	(2,167,593)
Cash, cash equivalents and restricted cash at beginning of the year/period	—	—	269,169	269,169	24,760,588
Cash, cash equivalents and restricted cash at end of the year/period	<u>—</u>	<u>269,169</u>	<u>24,760,588</u>	<u>80,733</u>	<u>22,592,995</u>

31. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	–	–	253	–	179
Basic salaries, housing fund, allowances and benefits in kind	2,747	10,387	434,627	2,653	4,556
Employer's contributions to a retirement benefit scheme	42	38	10	2	20
Discretionary bonuses	654	1,723	5,226	652	773
Total	3,443	12,148	440,116	3,307	5,528

The directors received emoluments from the Group for the year ended December 31, 2018 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Xiaopeng He (Note (a))	–	40	6	–	46
Heng Xia (Note (b))	–	847	19	211	1,077
Hongdi Brian Gu (Note (c))	–	1,105	–	255	1,360
Tao He (Note (d))	–	755	17	188	960
Joseph Chung Tsai (Note (e))	–	–	–	–	–
Qin Liu (Note (h))	–	–	–	–	–
Ji-Xun Foo (Note (h))	–	–	–	–	–
Fei Yang (Note (i))	–	–	–	–	–
Total	–	2,747	42	654	3,443

The directors received emoluments from the Group for the year ended December 31, 2019 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xiaopeng He (Note (a))	–	40	6	3	49
Heng Xia (Note (b))	–	900	32	144	1,076
Hongdi Brian Gu (Note (c))	–	9,447	–	1,576	11,023
Joseph Chung Tsai (Note (e))	–	–	–	–	–
Yongfu Yu (Note (f))	–	–	–	–	–
Qin Liu (Note (h))	–	–	–	–	–
Ji-Xun Foo (Note (h))	–	–	–	–	–
Fei Yang (Note (i))	–	–	–	–	–
Total	–	10,387	38	1,723	12,148

The directors received emoluments from the Group for the year ended December 31, 2020 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xiaopeng He (Note (a))	–	38	5	1,003	1,046
Heng Xia (Note (b))	–	1,211	3	1,070	2,284
Hongdi Brian Gu (Note (c))	–	432,347	–	2,344	434,691
Tao He (Note (d))	–	916	2	809	1,727
Yongfu Yu (Note (f))	–	–	–	–	–
Jun Chen (Note (g))	–	–	–	–	–
Qin Liu (Note (h))	69	–	–	–	69
Ji-Xun Foo (Note (h))	69	–	–	–	69
Fei Yang (Note (i))	69	–	–	–	69
Donghao Yang (Note (j))	46	115	–	–	161
Total	253	434,627	10	5,226	440,116

The directors received emoluments from the Group for the three months ended March 31, 2020 as follows (unaudited):

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xiaopeng He (Note (a))	—	10	1	2	13
Heng Xia (Note (b))	—	224	1	53	278
Hongdi Brian Gu (Note (c))	—	2,419	—	597	3,016
Tao He (Note (d))	—	—	—	—	—
Yongfu Yu (Note (f))	—	—	—	—	—
Qin Liu (Note (h))	—	—	—	—	—
Ji-Xun Foo (Note (h))	—	—	—	—	—
Fei Yang (Note (i))	—	—	—	—	—
Total	—	2,653	2	652	3,307

The directors received emoluments from the Group for the three months ended March 31, 2021 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Discretionary bonuses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xiaopeng He (Note (a))	—	107	2	26	135
Heng Xia (Note (b))	—	316	9	75	400
Hongdi Brian Gu (Note (c))	—	3,735	—	597	4,332
Tao He (Note (d))	—	316	9	75	400
Jun Chen (Note (g))	—	—	—	—	—
Qin Liu (Note (h))	49	—	—	—	49
Ji-Xun Foo (Note (h))	49	—	—	—	49
Fei Yang (Note (i))	49	—	—	—	49
Donghao Yang (Note (j))	32	82	—	—	114
Total	179	4,556	20	773	5,528

Notes:

- (a) Mr. Xiaopeng He is the co-founder, chairman of the Board and chief executive officer of the Company and was appointed as the Director since September 2017.

- (b) Heng Xia is the co-founder, executive Director and president of the Company and was appointed as the Director since January 2015.
- (c) Hongdi Brian Gu was appointed as the Director of the Company since November 2018.
- (d) Tao He is the co-founder and executive Director and senior vice president of the Company and was appointed as the Director in January 2015, resigned from his position as a Director in November 2018 and was reappointed as the Director in March 2020.
- (e) Joseph Chung Tsai was appointed as the non-executive Director of the Company in December 2017 and resigned from its position as a Director in December 2019.
- (f) Yongfu Yu has was appointed as the non-executive Director of the Company in December 2019 and resigned from its position as a Director in November 2020.
- (g) Jun Chen was appointed as the non-executive Director of the Company since November 2020.
- (h) Qin Liu and Ji-Xun Foo were appointed as the Director of the Company since February 2018.
- (i) Fei Yang was appointed as the Director of the Company since April 2018.
- (j) Donghao Yang was appointed as the Director of the Company since August 2020.
- (k) During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, there were no remuneration for loss of office received by the Directors.
- (l) During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, there were no remuneration paid of receivable in respect of the accepting office the Directors.

32. Five Highest-Paid Employees

The five highest-paid employees during the Track Record Period included the following number of directors and non-directors:

	For the Year ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020 (Unaudited)	2021
Directors	–	1	1	1	1
Non-directors	5	4	4	4	4
Total	5	5	5	5	5

Details of the remuneration for the Track Record Period of the five highest-paid employees who are non-directors (the “Non-director Individuals”) were as follows:

	For the Year ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Basic salaries, housing fund, allowances and benefits in kind	19,867	19,254	91,376	5,529	12,744
Employer's contributions to a retirement benefit scheme	–	49	24	20	31
Discretionary bonuses	5,918	3,561	3,789	456	525
Remunerations paid or receivable in respect of accepting office as director	11,700	–	–	–	–
Total	<u>37,485</u>	<u>22,864</u>	<u>95,189</u>	<u>6,005</u>	<u>13,300</u>

The number of Non-director Individuals whose remuneration fell within the following bands is as follows:

	For the Year ended December 31,			For the Three Months Ended March 31,	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
				<i>(Unaudited)</i>	
HK\$500,001 to HK\$1,000,000	–	–	–	1	–
HK\$1,000,001 to HK\$1,500,000	–	–	–	1	–
HK\$1,500,001 to HK\$2,000,000	–	–	–	1	–
HK\$2,500,001 to HK\$3,000,000	–	–	–	1	–
HK\$3,000,001 to HK\$3,500,000	–	–	–	–	1
HK\$3,500,001 to HK\$4,000,000	1	–	–	–	1
HK\$4,000,001 to HK\$4,500,000	–	2	–	–	1
HK\$4,500,001 to HK\$5,000,000	2	–	–	–	1
HK\$7,000,001 to HK\$7,500,000	1	–	–	–	–
HK\$8,000,001 to HK\$8,500,000	–	1	–	–	–
HK\$8,500,001 to HK\$9,000,000	–	1	–	–	–
HK\$23,000,001 to HK\$23,500,000	1	–	–	–	–
HK\$24,000,001 to HK\$24,500,000	–	–	1	–	–
HK\$25,000,001 to HK\$25,500,000	–	–	1	–	–
HK\$25,500,001 to HK\$26,000,000	–	–	1	–	–
HK\$32,000,001 to HK\$32,500,000	–	–	1	–	–
	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>
Total	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, remuneration paid by the Group to any Directors or Non-director Individuals as an inducement to join the Group was RMB11,700,000, nil, nil, nil and nil.

During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, no remuneration was paid by the Group to any Directors or Non-director Individuals for loss of the office.

33. Reconciliation between U.S. GAAP and International Financial Reporting Standards

The Historical Financial Information is prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRS"). The effects of material differences prepared under U.S. GAAP and IFRS are as follows:

	For the Year ended December 31,			For the Three Months Ended March 31,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reconciliation of net loss attributable to the Company in the consolidated statements of comprehensive loss					
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under U.S. GAAP	(1,398,823)	(3,691,673)	(2,731,985)	(649,761)	(786,561)
IFRS adjustments:					
Classification and measurement of preferred shares (Note(a))	(839,653)	70,069	(25,697,267)	(1,365,825)	—
Issuance costs (Note(b))	—	—	(26,664)	—	—
Onerous contract (Note(c))	—	(67,866)	10,802	2,827	3,823
Operating leases (Note(d))	(5,740)	(8,687)	(6,166)	(1,946)	(2,024)
Share-based compensation (Note(e))	—	—	(5,851)	—	(27,925)
Net loss attributable to the Company in the consolidated statements of comprehensive loss as reported under IFRS	<u>(2,244,216)</u>	<u>(3,698,157)</u>	<u>(28,457,131)</u>	<u>(2,014,705)</u>	<u>(812,687)</u>

	As of December 31,			As of
	2018	2019	2020	March 31,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Reconciliation of total shareholders' (deficit) equity in the consolidated balance sheets				
Total shareholders' (deficit) equity as reported under U.S. GAAP	(2,185,225)	(6,830,430)	34,429,809	33,834,616
IFRS adjustments:				
Classification and measurement of preferred shares (Note(a))	(158,262)	693,111	–	–
Onerous contract (Note(c))	–	(67,866)	(57,064)	(53,241)
Operating leases (Note(d))	(5,740)	(14,427)	(20,593)	(22,617)
Total shareholders' (deficit) equity as reported under IFRS	<u>(2,349,227)</u>	<u>(6,219,612)</u>	<u>34,352,152</u>	<u>33,758,758</u>

(a) *Classification and measurement of preferred shares*

Under U.S. GAAP, the preferred shares of the Company are accounted for as two components: (i) mezzanine equity and (ii) the redemption right bifurcated and accounted for as derivative liabilities initially measured at fair value with subsequent changes in fair value recognized through earnings. The mezzanine equity component is subsequently accreted to the amount which equals to redemption value of each series of preferred shares, less the-then fair value of the derivative liability using the interest method.

Under IFRS, the preferred shares, which are redeemable at the option of the holder, represent a financial liability with embedded features subject to bifurcation. The preferred shares are measured at fair value and designated as at fair value through profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability shall be presented in other comprehensive income; the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

Accordingly, the reconciliation includes a fair value loss difference of RMB839,653,000, a fair value gain difference of RMB70,069,000, and a fair value loss difference of RMB25,697,267,000, a fair value loss difference of RMB1,365,825,000 and nil recognized in net loss attributable to the Company in the consolidated statements of comprehensive loss for each of the years ended December 31, 2018, 2019 and 2020 and each of the three months ended March 31, 2020 and 2021, respectively. The reconciliation also includes the difference between mezzanine equity and derivative liabilities under U.S. GAAP and financial liabilities under IFRS of RMB158,262,000, RMB693,111,000, nil and nil as at December 31, 2018, 2019 and 2020 and March 31, 2021, respectively.

All the preferred shares of the Company were converted into ordinary shares upon the completion of IPO in August 2020. Consequently, there was no such reconciliation item in classification and measurement of preferred shares between U.S. GAAP and IFRS subsequently.

(b) Issuance costs

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities (“issuance costs”) may be deferred and capitalized against the gross proceeds of the offering.

Under IFRS, only those issuance costs considered directly attributable to the issuance of new shares to investors can be capitalized. Those issuance costs considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of RMB26,664,000 for the year ended December 31, 2020 in relation to the issuance costs incurred during the initial public offering and listing of the Company’s ADSs in the United States in August 2020.

(c) Onerous contract

In the third quarter of 2019, due to the upgrade of the G3 2019 to G3 2020, the Group voluntarily offered a customer upgrade program to all owners of G3 2019 model which was disclosed in Note 2(t). The additional promises included in the customer upgrade program for G3 2019 customers resulted in the Company incurring additional costs to fulfil the related additional promises upon the modification of the contracts with the customers. Such incremental costs exceeds the economic benefits expected to be received under the contract. Consequently the upgrade program resulted in an “onerous contract” situation.

Under U.S. GAAP, there is no general guidance available for the recognition of onerous contract except for certain types of contracts or industry-specific arrangements. None of which is considered applicable to the Company’s situation above. Under IFRS, provisions are recognized when a contract becomes onerous, which occurs when the unavoidable costs of meeting the obligation(s) under a contract exceed the economic benefits to be received.

Accordingly, the reconciliation includes an onerous contract cost difference of RMB67,866,000, RMB(10,802,000), RMB(2,827,000) and RMB(3,823,000) recognized / (reversed) in the consolidated statements of comprehensive loss for each of the years ended December 31, 2019 and 2020 and each of the three months ended March 31, 2020 and 2021. The amounts represent the net losses incurred by the Group as a result of the onerous contract aforementioned above when it first offered the upgrade program to its G3 customers during the year ended December 31, 2019 and the reversal of such losses as the onerous contract provision was partially utilized during the year ended December 31, 2020 and the three months ended March 31, 2020 and 2021, respectively. The reconciliation also includes a difference of onerous contract provision made of RMB67,866,000, RMB57,064,000, and RMB53,241,000 as at December 31, 2019 and 2020 and March 31, 2021, respectively.

(d) Operating leases

For operating leases under U.S. GAAP, the subsequent measurement of the lease liability is based on the present value of the remaining lease payments using the discount rate determined at lease

commencement, while the right-of-use asset is remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term, as opposed IFRS which generally yields a “front-loaded” expense with more expense recognized in earlier years of the lease.

Accordingly, the reconciliation includes an expenses difference recognized in the consolidated statements of comprehensive loss of RMB5,740,000, RMB8,687,000, RMB6,166,000, RMB1,946,000 and RMB2,024,000 for each of the years ended December 31, 2018, 2019 and 2020 and each of the three months ended March 31, 2020 and 2021, respectively. The reconciliation also includes a difference in total shareholders’ (deficit) equity of RMB5,740,000, RMB14,427,000, RMB20,593,000, and RMB22,617,000 as at December 31, 2018, 2019 and 2020 and March 31, 2021 respectively.

(e) Share-based compensation

Subsequent to the completion of the IPO, the Group granted Restricted Shares Units (RSUs) with service condition only to employees and the share-based compensation expenses were recognized over the vesting period using straight-line method under U.S. GAAP. While under IFRS, the graded vesting method must be applied. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of RMB5,851,000 and RMB27,925,000 for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2021. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2021.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the audited consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2021 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company are based on the audited consolidated net tangible assets attributable to the shareholders of the Company as at March 31, 2021, as shown in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2021⁽¹⁾	Estimated net proceeds from the Global Offering⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB⁽³⁾</i>	<i>HK\$⁽⁴⁾</i>
Based on an Offer Price of HK\$180.00 per Share	33,230,610	12,397,237	45,627,847	27.29	33.11

Notes:

- (1) The audited consolidated net tangible assets attributable to shareholders of the Company as at March 31, 2021 has been extracted from the Accountant's Report of the Group as set out in Appendix I to this prospectus which is based on the audited consolidated net assets attributable to shareholders of the Company as at March 31, 2021 of RMB33,834,616,000 with adjustment for intangible assets as at March 31, 2021 of RMB604,006,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$180.00 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding listing expenses of RMB0.9 million which have been charged to the consolidated statements of comprehensive loss prior to March 31, 2021) and does not take into account 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the 2019 Equity Incentive Plan, any Shares which may be issued pursuant to the exercise of the Over-Allotment Option, any Shares which may be issued upon the vesting of RSU after March 31, 2021 pursuant to the 2019 Equity Incentive Plan or any Shares which may be issued or repurchased by the Company.
- (3) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,672,124,748 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021 but does not take into account 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under the 2019 Equity Incentive Plan, any Shares which may be issued pursuant to the exercise of the Over-Allotment Option, any Shares which may be issued upon the vesting of RSU after March 31, 2021 pursuant to the 2019 Equity Incentive Plan or any Shares which may be issued or repurchased by the Company.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB1.00 to HK\$1.2132. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2021.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of XPeng Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of XPeng Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at March 31, 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated June 25, 2021, in connection with the proposed global offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group's financial position as at March 31, 2021 as if the proposed global offering had taken place at March 31, 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended March 31, 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at March 31, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, June 25, 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 27, 2018 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on August 20, 2020. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares, and shares of such class or classes (however designated) as the Board of Directors may determine in accordance with the Articles.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the sanction of an ordinary resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be one or more persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy at least one-third in nominal or par value amount of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as it in general meeting may determine; (b) consolidate or divide all or any of its share capital into shares of a larger amount than its existing shares; (c) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and (d) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, the instrument of transfer of any share shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or partly paid up share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may decline to register any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of ordinary shares, and is lodged with Company accompanied by the certificate for the ordinary shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. It may also decline to register a transfer of ordinary shares to more than four joint holders.

The registration of transfers may, after compliance with any notice required of the Stock Exchange, be suspended and the register of members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the register of members closed for more than 30 days in any year.

(e) Power of the Company to purchase its own shares

Subject to the Cayman Companies Act and the Memorandum, the Company may purchase its own shares, including any redeemable shares, provided that the manner of purchase has first been authorized by ordinary resolution.

The Company is authorized to purchase any share listed on the Stock Exchange in accordance with the following manner of purchase: the maximum number of shares that may be repurchased shall be equal to the number of issued shares, less one share; at such time; at such price and on such other terms as determined and agreed by the Directors in their sole discretion, provided, however, that (i) such repurchase transactions shall be in accordance with the relevant code, rules and regulations applicable to the listing of the shares on the Stock Exchange; and (ii) at the time of the repurchase the Company is able to pay its debts as they fall due in the ordinary course of its business.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at a rate of six per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding six per cent per annum without the sanction at the Company in general meeting.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, at any time and for so long as any part of the call or installment remains unpaid, serve a notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares in respect of the shares forfeited, but his liability shall cease if and when the Company receives payment in full of the amount unpaid on the shares forfeited.

2.2 Directors

(a) Appointment and removal

Unless otherwise determined by the Company in general meeting, the minimum number of Directors shall be three, the exact number of Directors to be determined from time to time by the Board of Directors.

- (b) Taobao China Holding Limited (*Alibaba*) shall be entitled to appoint one Director and remove the Director appointed by it at any time by delivering a written notice to the Company and such appointment and removal shall become effective automatically upon the delivery of such notice without any further action or resolution of the Board or the members of the Company; provided, however, that in the event that Alibaba ceases to hold, together with its affiliates, at least ten percent of the Company's issued and outstanding shares (on an as-converted and fully-diluted basis), then, Alibaba shall cease to be entitled to appoint and remove such Director, the Company shall have the right to immediately remove the Director appointed by Alibaba (and Alibaba shall take all necessary actions to ensure that such Director is promptly removed) from the Board, and upon the removal of such Director, all the members shall consult with each other in good faith on whether and how to fill such vacancy.

If the Director appointed by Alibaba ceases to be a Director pursuant to the Articles, Alibaba shall have the right to appoint another person as a Director by delivering a written notice to the Company and such replacement shall become effective automatically upon the delivery of such notice without any further action or resolution of the Board or the members of the Company.

At any time or from time to time and subject to the provisions of the Articles, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting.

A Director is not required to hold any shares in the Company by way of qualification.

Subject to the provisions of the Articles, a Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution or an affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting appoint another in his place. The number of Directors shall not be less than three.

The office of a Director shall be vacated if he:

- (i) Resigns his office by notice in writing to the Company;
- (ii) dies;
- (iii) is found to be or becomes of unsound mind;
- (iv) becomes bankrupt or makes any arrangement or composition with his creditors;
- (v) without special leave of absence from the board, is absent from three consecutive meetings of the Board, and the Board resolves that his office is vacated; or
- (vi) is removed from office pursuant to the Articles.

The Directors may by resolution, appoint any natural person or corporation, whether or not a Director to hold such office in the Company as the Directors may think necessary for the administration of the Company, including but not limited to, chief executive officer, one or more other executive officers, president, one or more vice-presidents, treasurer, assistant treasurer, manager or controller, and for upon such terms as to duration of office, remuneration, powers and duties and otherwise as they may think fit. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Directors.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as may be determined by an ordinary resolution or by the Directors. Any share may be issued on terms that, either at the option of the Company or the holder of the share, it is liable to be redeemed.

Subject to the provisions of the Articles, the Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Act, the Articles and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may issue, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may

be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

Any Director or officer may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or officer; provided that nothing herein contained shall authorize a Director or officer or his firm to act as auditor of the Company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is so interested as aforesaid; provided, however, that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him or the alternate Director appointed by him at or prior to its consideration and any vote thereon and a general notice that a Director or alternate Director is a shareholder of any specified firm or company and/or is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure hereunder and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members***(a) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than two-thirds of the votes cast by such members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy or, in the case of members which are corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of members which are corporations, by their duly authorized representatives, at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have ten votes for each Class B ordinary share of which he/she/it is the holder, five votes for each Class C ordinary share of which he/she/it is the holder and one vote for each Class A ordinary share of which he is the holder which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or

installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Each member, other than a recognized clearing house (or its nominee(s)) or depositary (or its nominee(s)), may only appoint one proxy on a show of hand.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of such meeting or any one or more shareholders who together hold Shares carrying not less than ten per cent of all votes attaching to all of the total issued voting shares of the Company present in person or by proxy. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Should a recognized clearing house or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the recognized clearing house or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

(c) Annual general meetings

The Company may (but shall not be obliged to) in each calendar year hold a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as may be determined by the Directors. At these meetings the report of the Directors (if any) shall be presented.

(d) Notices of meetings and business to be conducted

At least seven calendar days' notice shall be given for any general meeting. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the place, the day and the hour of the meeting and the general nature of the business.

Except as otherwise provided in the Articles, any notice may be served by the Company either personally or by sending it by post, telex or telefax to him to his registered address, or (if he has no registered address) to the address, if any, supplied by him to the Company for the giving of notices to him. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register of members in respect of the share.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by not less than 90 per cent of the shares giving a right to attend and vote at the meeting.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business.

The quorum for a general meeting shall be one or more members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote carrying not less than one-third of the aggregate voting power of all of the ordinary shares. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be one or more persons holding or representing by proxy at least one-third in nominal or par value amount of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings may be convened by a majority of the Board. The Directors shall also, upon the requisition in writing of one or more members holding shares which carry in the aggregate not less than one-third of all votes attaching to all issued and outstanding shares of the Company that as at the date of the requisition carries the right of voting at general meetings, convene a general meeting. Such

requisition shall express the object of the meeting proposed to be called, and shall be left at the registered office of the Company. If within 21 days from the date of such requisition being left as aforesaid, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) or any or either of them or any other member or members holding shares which carry in the aggregate not less than one-third of all votes attaching to all issued and outstanding shares of the Company that as at the date of the requisition carries the right of voting at general meetings may convene a general meeting to be held at the registered office of the Company or at some convenient place at such time, subject to the Company's Articles as to notice, as the persons convening the meeting fix.

2.6 Accounts and audit

The books of accounts of the Company shall be kept in such manner as may be determined from time to time by ordinary resolution or failing such determination by the Directors of the Company.

The Company may by ordinary resolution from time to time determine or, failing such determination, the Directors may from time to time determine that auditors shall be appointed and that the accounts relating to the Company's affairs shall be audited in such manner as the Company by ordinary resolution or the Directors (as the case may be) shall determine; provided that nothing contained in this Article shall require auditors to be appointed or the accounts relating to the Company's affairs to be audited. The appointment of and provisions relating to auditors shall be in accordance with applicable law and the relevant code, rules and regulations applicable to the listing of the shares on the Stock Exchange.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting a copy of the Directors' report (if any).

2.7 Dividends and other methods of distribution

The Company may by ordinary resolution declare dividends to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends on any class of shares not fully paid shall be declared and paid according to the amounts paid on the shares of that class, but if and so long as nothing is paid up on any of the shares in the Company, dividends may be declared and paid according to the number of shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this provision as paid on the share

The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at their like discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.

Any dividend payable in cash to the holder of Shares may be paid in any manner determined by the Directors. Any dividend may be paid by check or warrant sent through the post to the registered address of the member or person entitled thereto or in the case of joint holders to any one of such joint holders at his registered address or to such person at such address as the member or person entitled or such joint holders, as the case may be, may direct. Every such check or warrant shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled or such joint holders, as the case may be, may direct. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable in respect of the shares held by such joint holders.

The Directors may declare that any dividend is paid wholly or partly by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises with regard to such distribution, the Directors may settle the same as they, think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

All dividends unclaimed after a period of for six calendar years from the date of declaration of such dividend may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

2.8 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarized in paragraph 3.6 of this Appendix.

2.9 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed among such members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively; and

- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributors as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. CAYMAN COMPANIES ACT

The Company was incorporated in the Cayman Islands as an exempted company on December 27, 2018 subject to the Cayman Companies Act. Certain provisions of the Cayman Companies Act are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;

- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements

of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2017 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to

the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2020 Revision), which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES AND VARIABLE INTEREST ENTITIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on December 27, 2018. Our registered office address is located at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbor Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 2, 2021 with the Registrar of Companies in Hong Kong. Our Company's principal place of business in Hong Kong is at Suite 3911, 39/F, Jardine House, 1 Connaught Place, Central, Hong Kong. Ming Wai Mok (莫明慧) has been appointed as the authorized representative of our Company in Hong Kong under Part 16 of the Companies Ordinance for the acceptance of service of process and notices in Hong Kong on behalf of the Company. The address for service of process is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As of the date of this prospectus, our Company's head office was located at No. 8 Songgang Road, Changxing Street, Cencun, Tianhe District, Guangzhou, Guangdong 510640, the PRC.

2. Changes in share capital of our Company

Our Company was incorporated in the Cayman Islands as an exempted limited liability company on December 27, 2018 with an authorized share capital of US\$50,000 divided into 200,000,000 shares of par value of US\$0.00025 each. On December 27, 2018, we issued (i) 25 ordinary shares to Vistra (Cayman) Limited at par value, which were transferred on the same day to Simplicity Holding Limited, (ii) 230,234,350 ordinary shares to Simplicity Holding Limited for a consideration of USD51,596,941.03, (iii) 60,000,000 ordinary shares to Efficiency Investment Limited for a consideration of USD391,446.89, (iv) 20,000,000 ordinary shares to Quality Enterprises Limited for a consideration of USD130,588.79, (v) 137,202,575 ordinary shares to Success Sharing Development Holding Limited for a consideration of USD522,168.80, and (vi) 583,575 ordinary shares to XPD Holdings Limited for a consideration of USD789,639.92.

As we effected a share split on March 30, 2020, in which each one of the previously issued ordinary Shares and preferred Shares was split into 25 ordinary shares and preferred shares, respectively, the above and following share numbers have given effect to such share split.

The following sets out the changes in the Company's issued share capital during the two years immediately preceding the date of this prospectus:

(a) Ordinary Shares

On August 8, 2019, we issued (i) 230,234,350 ordinary shares to Simplicity Holding Limited, (ii) 59,999,975 ordinary shares to Efficiency Investment Limited, (iii) 19,999,975 ordinary shares to Quality Enterprises Limited, and (iv) 137,202,550 ordinary shares to Success Sharing Development Holding Limited.

On June 28, 2020, in connection with the restructuring of Success Sharing Development Holding Limited, we issued (i) 17,643,400 Class A ordinary shares to Quack Holding Limited at par value, (ii) 15,760,000 Class A ordinary shares to Like Minded Enterprise Limited at par value, (iii) 33,349,070 Class A ordinary shares to XPeng Fortune Holdings Limited at par value, and (iv) 21,000,000 Class B ordinary shares to Respect Holding Limited at par value.

In August 2020, at the closing of the initial public offering in the United States, we issued and sold an aggregate of 114,693,333 ADSs (including 14,959,999 ADSs sold upon the full exercise of the underwriters' over-allotment option), representing 229,386,666 Class A ordinary shares at a public offering price of USD15.00 per ADS.

In December 2020, at the closing of the U.S. Follow-on Offering, we issued and sold an aggregate of 55,200,000 ADSs (including 7,200,000 ADSs sold upon the full exercise of the underwriters' over-allotment option), representing 110,400,000 Class A ordinary shares at a public offering price of USD45.00 per ADS.

Since the U.S. Follow-on Offering, we issued 26,861,980 Class A ordinary shares which include shares issued to settle certain vested RSUs and RSUs that are expected to be vested by December 31, 2021 (excluding 7,413,480 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our 2019 Equity Incentive Plan).

(b) Preferred Shares and Warrants

On September 12, 2019, we issued 50,540,875 Series A preferred shares to Taobao China for a consideration of USD46,586,904.24 and issued 583,575 Series A2 preferred shares to XPD Holding Limited as nil-paid shares.

On the same day, we issued a total of 46,477,050 Series A1 preferred shares, of which (i) 18,571,950 Series A1 preferred shares were issued to GGV (XPeng) Limited for a consideration of USD19,090,909, (ii) 14,639,425 Series A1 preferred shares were issued to Morningside TMT Holding IV Limited for a consideration of USD15,048,485, (iii) 10,317,750 Series A1 preferred shares were issued to Matrix Partners China IV Hong Kong Limited for a consideration of USD10,606,051, and (iv) 2,947,925 Series A1 preferred shares were issued to Shunwei Top Venture Limited for a consideration of USD3,030,303.03.

On the same day, we issued a total of 79,970,975 Series B preferred shares, of which (i) 54,709,700 Series B preferred shares were issued to Taobao China for a consideration of USD117,787,479.98,

(ii) 4,376,775 Series B preferred shares were issued to GGV (XPeng) Limited for a consideration of USD9,375,000, (iii) 3,377,400 Series B preferred shares were issued to Morningside TMT Holding IV Limited for a consideration of USD7,234,375, (iv) 2,917,850 Series B preferred shares were issued to Matrix Partners China IV Hong Kong Limited for a consideration of USD6,249,990, and (v) 14,589,250 Series B preferred shares were issued to Markarian Investments Limited for a consideration of USD31,250,000.

On the same day, we issued a total of 109,041,950 Series B1 preferred shares, of which (i) 29,871,475 Series B1 preferred shares were issued to Simplicity Holding Limited for a consideration of USD94,487,730.81, (ii) 7,148,750 Series B1 preferred shares were issued to GGV (XPeng) Limited for a consideration of USD22,595,040.30, (iii) 12,556,625 Series B1 preferred shares were issued to Morningside TMT Holding IV Limited for a consideration of USD39,645,090.61, (iv) 7,287,250 Series B1 preferred shares were issued to Morningside Special IV Hong Kong Limited for a consideration of USD23,182,070.70, (v) 2,297,800 Series B1 preferred shares were issued to Matrix Partners China IV Hong Kong Limited for a consideration of USD7,285,332.53, (vi) 21,387,275 Series B1 preferred shares were issued to Xenon Investment Limited for a consideration of USD67,550,819.37, (vii) 2,297,800 Series B1 preferred shares were issued to Sino EV Limited for a consideration of USD7,257,526.05, (viii) 2,665,450 Series B1 preferred shares were issued to Magical Star Project Company Limited for a consideration of USD8,554,319.93, (ix) 1,571,700 Series B1 preferred shares were issued to Proficient Development Project Company Limited for a consideration of USD5,044,098.99, (x) 358,450 Series B1 preferred shares were issued to CK Investment Holdings Limited for a consideration of USD1,156,005.01, (xi) 2,297,800 Series B1 preferred shares were issued to HH XP (HK) Holdings Limited for a consideration of USD7,285,337.53, (xii) 919,125 Series B1 preferred shares were issued to Robert S Bao for a consideration of USD2,914,135.01, and (xiii) 18,382,450 Series B1 preferred shares were issued to Taobao China for a consideration of USD57,965,973.97.

On the same day, we issued a total of 26,137,425 Series B2 preferred shares, of which (i) 7,033,275 Series B2 preferred shares were issued to Simplicity Holding Limited for a consideration of USD25,584,370.19, (ii) 1,776,075 Series B2 preferred shares were issued to GGV (XPeng) Limited for a consideration of USD6,455,725.91, (iii) 3,381,375 Series B2 preferred shares were issued to Xenon Investment Limited for a consideration of USD12,281,967.23, (iv) 1,298,750 Series B2 preferred shares were issued to KTB China Synergy Fund for a consideration of USD4,710,964, (v) 2,697,425 Series B2 preferred Shares were issued to KTB AI Limited Partnership for a consideration of USD10,049,577.92, (vi) 559,475 series B2 preferred shares were issued to Sino EV Limited for a consideration of USD2,032,107.30, (vii) 783,250 Series B2 preferred shares were issued to Luminous Ace Limited for a consideration of USD2,885,000, (viii) 1,214,850 Series B2 preferred shares were issued to Truly Magnetic Project Company Limited for a consideration of USD4,483,643.55, (ix) 1,998,100 Series B2 preferred shares were issued to HH XP (HK) Holdings Limited for a consideration of USD7,285,337.53, and (x) 5,394,850 Series B2 preferred shares were issued to Taobao China for a consideration of USD19,563,516.22.

On the same day, we issued warrants to several investors, most of whom have exercised their warrants on April 24, 2020, as further described below. On May 22, 2020, a warrant held by Zhaoqing Hightech Zone Construction Investment Development Co., Ltd. was canceled, as further described below. In addition, two warrants held by Tianjin Ruifeng Xinchuang Investment Management Partnership (Limited

Partnership) were transferred to Dazzling Mount Holdings Limited, Simplicity Holding Limited, Efficiency Investment Limited and Hongdi Brian Gu, and these parties exercised the warrants in August 2020, as described below.

On December 2, 2019, we issued a total of 79,590,650 Series C preferred shares, of which (i) 10,612,100 Series C preferred shares were issued to PV Xenon Investment II Limited for a consideration of USD40,000,000, (ii) 13,265,100 Series C preferred shares were issued to Fast Pace Limited for a consideration of USD50,000,000, (iii) 43,642,225 Series C preferred shares were issued to Simplicity Holding Limited for a consideration of USD164,500,000, (iv) 3,183,625 Series C preferred shares were issued to GGV (XPeng) Limited for a consideration of USD12,000,000, (v) 1,326,500 Series C preferred shares were issued to Matrix Partners China IV Hong Kong Limited for a consideration of USD5,000,000, (vi) 397,950 Series C preferred shares were issued to Shunwei Top Venture Limited for a consideration of USD1,500,000, (vii) 2,653,025 Series C preferred shares were issued to Golden Eagle (Asia) Investment Limited for a consideration of USD10,000,000, (viii) 1,326,500 Series C preferred shares were issued to Duowan Entertainment Corp. for a consideration of USD5,000,000, (ix) 2,306,975 Series C preferred shares were issued to Evolution Special Opportunity Fund I, L.P. for a consideration of USD8,695,652, (x) 346,050 Series C preferred shares were issued to Evolution Fund I Co- investment, L.P. for a consideration of USD1,304,348, (xi) 265,300 Series C preferred shares were issued to Bryan White for a consideration of USD1,000,000, and (xii) 265,300 Series C preferred shares were issued to Markarian Investments Limited for a consideration of USD1,000,000.

On April 10, 2020, we issued 26,137,425 Series C preferred shares to Pacific Rays Limited for a consideration of USD98,519,394.25.

On May 11, 2020, we issued 795,907 Series C preferred shares to Shanghai Yuanxin Enterprise Management Partnership (Limited Partnership) for a consideration of USD3,000,000.

Considerations from (i) Pacific Rays Limited for the Series C preferred shares and (ii) Shanghai Yuanxin Enterprise Management Partnership (Limited Partnership) for the Series C preferred shares were initially paid to Chengxing Zhidong in the form of interest-free loans denominated in RMB. Chengxing Zhidong has repaid the loan, and the shareholder has paid the equivalent amount to us in U.S. dollars.

On April 24, 2020, certain warrant holders purchased our shares pursuant to the warrants issued on September 12, 2019, including (i) Shanghai Cheyou Enterprise Management Partnership (Limited Partnership) purchased 15,753,000 Class A ordinary shares and 27,567,750 Series A preferred shares for a consideration of USD25,531,932.02, (ii) Shanghai Yuanxin Enterprise Management Partnership (Limited Partnership) purchased 8,935,900 Series B1 preferred shares and 2,220,100 Series B2 preferred shares for a consideration of USD36,034,997.19, (iii) CX TMT Holding IV Limited purchased 3,932,550 Series A1 preferred shares, 999,350 Series B preferred shares, 5,432,025 Series B1 preferred shares and 999,050 Series B2 preferred shares for a consideration of USD27,032,426.33, (iv) Pacific Rays Limited purchased 14,739,650 Series A1 preferred shares and 36,473,100 Series B preferred shares for a consideration of USD95,379,531.89, (v) Zhuhai Guangkong Zhongying Industrial Investment Fund Partnership (Limited Partnership) purchased 2,653,125 Series A1 preferred shares for a consideration of USD 2,848,416.76, (vi) Shanghai Jihe Enterprise Management Consulting Partnership (Limited Partnership) purchased 2,917,850 Series A2 preferred shares, 729,450 Series B preferred shares, 919,125 Series B1 preferred shares and

3,996,200 Series B2 preferred shares for a consideration of USD22,830,179.38, (vii) Shanghai Guangyi Investment Management Center (Limited Partnership) purchased 2,334,275 Series A2 preferred shares for a consideration of USD 3,162,255.32, (viii) Speed Up Holdings Limited purchased 2,334,275 Series A2 preferred shares and 459,550 Series B1 preferred shares for a consideration of USD4,602,990.67, (ix) Shanghai Huiyu Enterprise Management Partnership (Limited Partnership) purchased 7,294,625 Series B preferred shares for a consideration of USD 15,914,950.50, (x) XP Management Limited purchased 13,130,325 Series B preferred shares for a consideration of USD28,611,848.48, (xi) Yincheng Investment Limited purchased 3,888,600 Series B1 preferred Shares and 614,800 Series B2 preferred shares for a consideration of USD14,418,155.34, and (xii) Ningbo Dingpeng Equity Investment Partnership (Limited Partnership) purchased 4,595,600 Series B1 preferred shares and 1,998,100 Series B2 preferred shares for a consideration of USD21,659,089.41.

On May 22, 2020, a warrant to purchase 4,595,600 Series B1 preferred shares issued to Zhaoqing High-tech Zone Construction Investment Development Co., Ltd. was canceled.

On May 26, 2020, we issued 318,363 Series C preferred shares to Hongdi Brian Gu for a consideration of USD1,200,000.

On July 22, 2020, we issued a total of 76,115,787 Series C preferred shares, of which (i) 20,758,851 Series C preferred shares were issued to Aspex Master Fund for a consideration of USD90,000,000, (ii) 20,758,851 Series C preferred shares were issued to Coatue PE Asia 33 LLC for a consideration of USD90,000,000, (iii) 16,145,773 Series C preferred shares were issued to Hillhouse Capital through HH XP (HK) Holdings Limited for a consideration of USD70,000,000, (iv) 16,145,773 Series C preferred shares were issued to Sequoia Capital China through SCC Growth VI Holdco E, Ltd. for a consideration of USD70,000,000, and (v) 2,306,539 Series C preferred shares were issued to Hel Ved Master Fund for a consideration of USD10,000,000.

On July 24, 2020, we issued a total of 35,751,359 Series C preferred shares, of which (i) 4,613,078 Series C preferred shares were issued to Matrix Partners China IV Hong Kong Limited for a consideration of USD20,000,000, (ii) 3,010,034 Series C preferred shares were issued to Anatole Partners Master Fund, L.P. for a consideration of USD13,050,000, (iii) 449,775 Series C preferred shares were issued to Anatole Partners Enhanced Master Fund, L.P. for a consideration of USD1,950,000, (iv) 3,459,809 Series C preferred shares were issued to Tairen Alpha Fund Limited for a consideration of USD15,000,000, (v) 3,459,809 Series C preferred shares were issued to 3W Global Fund for a consideration of USD15,000,000, (vi) 3,459,809 Series C preferred shares were issued to ZWC XP Investments Limited for a consideration of USD15,000,000, (vii) 2,306,539 Series C preferred shares were issued to CloudAlpha Master Fund for a consideration of USD10,000,000, (viii) 2,306,539 Series C preferred shares were issued to Summer Rocket Holdings Limited for a consideration of USD10,000,000, (ix) 2,306,539 Series C preferred shares were issued to Grand Horizon Plus Investment Limited for a consideration of USD10,000,000, (x) 2,306,539 Series C preferred shares were issued to Azure Kingfisher Limited for a consideration of USD10,000,000, (xi) 1,153,270 Series C preferred shares were issued to Pine Summit International Limited for a consideration of USD5,000,000, (xii) 1,153,270 Series C preferred shares were issued to Neumann Capital for a consideration of USD5,000,000, (xiii) 461,308 Series C preferred shares were issued to Shengyu Ventures Limited for a consideration of USD2,000,000, (xiv) 461,308 Series C preferred shares were issued to Luminous Time Limited for a consideration of USD2,000,000, (xv) 461,308 Series C preferred shares

were issued to Cheung Shun Ching for a consideration of USD2,000,000, (xvi) 461,308 Series C preferred shares were issued to Celestial Dragon Holdings Limited for a consideration of USD2,000,000, (xvii) 230,654 Series C preferred shares were issued to Robert S Bao for a consideration of USD1,000,000, (xviii) 230,654 Series C preferred shares were issued to Ampere Partners Holding Limited for a consideration of USD1,000,000, and (xix) 3,459,809 Series C preferred shares were issued to Credit Suisse AG, Singapore Branch for a consideration of USD15,000,000.

On July 29, 2020, we issued 23,065,390 Series C preferred shares to Qatar Investment Authority through Al-Rayyan Holding LLC for a consideration of USD100,000,000.

On August 6, 2020, we issued a total of 72,655,979 Series C preferred shares, of which (i) 49,590,589 Series C preferred shares were issued to Taobao China for a consideration of USD215,000,000, and (ii) 23,065,390 Series C preferred shares were issued to Mubadala Investment Company through Aerospace Holding Company LLC for a consideration of USD100,000,000.

On the same day, we issued 14,850,560 Class A ordinary shares to Quack Holding Limited, which is wholly owned by Hongdi Brian Gu at par value pursuant to the RSUs granted to Hongdi Brian Gu. In addition, we issued 9,695,210 Class A ordinary shares to XPeng Fortune Holdings Limited, which is established for our 2019 Equity Incentive Plan, at par value.

On the same day, certain warrant holders purchased our Shares pursuant to the warrants issued on September 12, 2019, including (i) Dazzling Mount Holdings Limited purchased 3,501,425 Series A2 preferred shares and 1,922,624 Series B preferred shares for a consideration of USD8,059,249.8, (ii) Simplicity Holding Limited purchased 16,926,907 Series B preferred shares for a consideration of USD33,183,603.35, (iii) Efficiency Investment Limited purchased 1,137,879 Series B preferred shares for a consideration of USD2,230,703.89, and (iv) Hongdi Brian Gu purchased 1,896,465 Series B preferred shares for a consideration of USD3,717,839.82.

Immediately prior to the completion of the initial public offering in the United States in August 2020, all preferred shares that were issued and outstanding at the time were converted into our ordinary Shares on a one-for-one basis.

Save as disclosed above, there has been no alternation in the share capital of our Company during the two years immediately preceding the date of this prospectus.

Save as disclosed above, there has been no alteration in the share capital of our Company since our incorporation.

3. Changes in the share capital of our major operating subsidiaries and Variable Interest Entities

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, us a waiver from strict compliance with paragraph 26 of Part A of Appendix 1 to the Listing Rules in relation to the disclosure of information relating to the changes to the share capital of any member of our Group. For details, please see the section headed “Waivers from Strict Compliance with the Listing Rules – Waiver in relation to the Disclosure Requirements with respect to the Change in Share Capital.”

The following sets out the changes in the share capital of our major subsidiaries and consolidated VIEs that made a material contribution to our results of operation during the two years immediately preceding the date of this prospectus. For details of our major subsidiaries and consolidated VIEs, please see the section headed “History and Corporate Structure – Our major subsidiaries and operating entities.”

Guangdong Xiaopeng Motors Technology Co., Ltd., our wholly owned subsidiary of the Company, has exercised effective control over the operations of Chengxing Zhidong through a series of contractual arrangements since September 2019. On February 19, 2020 and May 7, 2020, the registered capital of Chengxing Zhidong reduced from RMB38.4 million to RMB25.3 million and further reduced to RMB14.6 million, respectively. In May 2020, Guangdong Xiaopeng Motors Technology Co., Ltd. completed its purchase of 100% equity interest in Chengxing Zhidong. On July 20, 2020, the registered share capital of Chengxing Zhidong increased from RMB14.6 million to RMB2,800 million. On August 20, 2020, Guangdong Xiaopeng Automotive Industry Holding Co., Ltd., another wholly owned subsidiary acquired 0.1% of the issued share capital of Chengxing Zhidong. On the same day, the registered share capital of Chengxing Zhidong increased to RMB2,803 million. On October 14, 2020, the registered share capital further increased to RMB3,223 million. On May 20, 2021, Chengxing Zhidong increased its share capital from 3,223 million to RMB3,267 million due to capital injection by Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership) and Guangzhou GET Investment Holdings Co., Ltd. Upon completion of the capital injection, the Company holds 98.6% shares of Chengxing Zhidong while Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership) and Guangzhou GET Investment Holdings Co., Ltd. hold approximately 0.3% and 1.1% shares of Chengxing Zhidong respectively.

On February 25, 2020 and August 13, 2020, the registered capital of Guangdong Xiaopeng Motors Technology Co., Ltd. increased from RMB1,500 million to RMB6,000 million and further increased to RMB15,000 million, respectively.

On April 8, 2020, the registered capital of Xiaopeng Automobile Sales Co., Ltd increased from RMB500 million to RMB1,500 million.

On April 13, 2020, Xiaopeng Automobile Sales Co., Ltd., our wholly owned subsidiary, transferred its interests in the entire share capital of Xiaopeng Automotive Services Co., Ltd, to Guangdong Xiaopeng Automotive Industry Holding Co., Ltd, another wholly owned subsidiary of the Company.

On May 27, 2020 and October 10, 2020, the registered capital of the Zhaoqing Xiaopeng New Energy Investment Co., Ltd. increased from RMB100 million to RMB500 million and increased from RMB500 million to 1,000 million, respectively.

On May 28, 2020 and October 26, 2020, the registered capital of Zhaoqing Xiaopeng Automobile Co., Ltd. increased from RMB200 million to RMB500 million and further increased from RMB500 million to RMB1,500 million, respectively.

On July 6, 2020, Shanghai Xiaopeng Motors Technology Co., Ltd. transferred its interest in the entire share capital of Shanghai Xiaopeng Automobile Sales Service Co., Ltd. to Shanghai Xiaopeng Automobile Sales Service Co., Ltd.

On July 10, 2020, Xiaopeng Automobile Services Co., Ltd transferred its interests in the entire share capital of Beijing Hengxin Shiguang Automotive Service Co., Ltd. to Guangzhou Xiaopeng Smart Mobility Technology Co., Ltd, a wholly owned subsidiary of the Company.

Save as disclosed above, there has been no alteration in the share capital of any of the major subsidiaries or operating entities of our Company within the two years immediately preceding the date of this prospectus.

A summary of the corporate information and the particulars of our subsidiaries and operating entities are set out in note 1 to the Accountant's Report as set out in Appendix I. Save for the subsidiaries and operating entities mentioned in the Accountant's Report set out in Appendix I, our Company has no other subsidiaries or variable interest entities.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract(s)

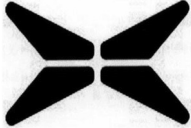
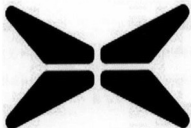
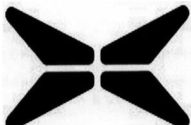
The following contract(s) (not being entered into in the ordinary course of business) has been entered into by our Group within the two years preceding the date of this prospectus and is or may be material:

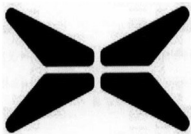
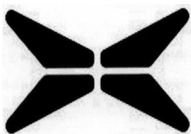
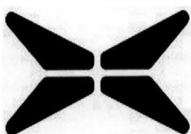
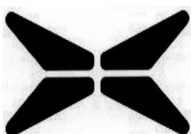
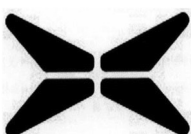
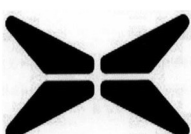
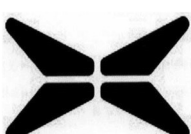
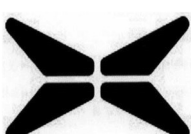
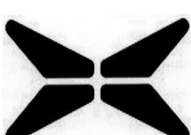
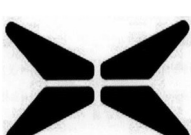
- (a) Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

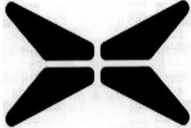
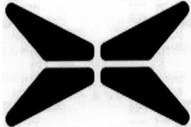
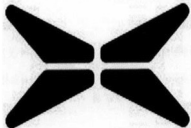
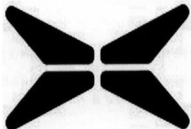




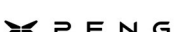




As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
1.	Xiaopeng Technology	Norway	October 6, 2020	311777	9	XPENG	September 29, 2030
2.	Xiaopeng Technology	Russian Federation	January 22, 2020	743394	9,35,37		June 26, 2029
3.	Xiaopeng Technology	New Zealand	January 7, 2020	1123851	9,35,37		June 26, 2029
4.	Xiaopeng Technology	Germany	July 8, 2019	30 2019 108 286	9,12,35,37		June 26, 2029

	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
5.	Xiaopeng Technology	Benelux Office for Intellectual Property	September 17, 2019	1398031	9,12,35,37		June 25, 2029
6.	Xiaopeng Technology	United Kingdom	September 20, 2019	UK00003409444	9,35,37		June 25, 2029
7.	Xiaopeng Technology	Norway	November 11, 2019	306725	9,35,37		June 25, 2029
8.	Xiaopeng Technology	European Intellectual Property Office	November 29, 2019	018085571	9,35,37		June 25, 2029
9.	Xiaopeng Technology	Australia	March 17, 2020	2018660	9,35,37		June 25, 2029
10.	Xiaopeng Technology	France	November 1, 2019	194562605	9,12,35,37		June 25, 2029
11.	Xiaopeng Technology	Malaysia	September 24, 2020	TM2019022589	37		June 25, 2029
12.	Xiaopeng Technology	Taiwan	February 1, 2020	02039784	37		January 31, 2030
13.	Xiaopeng Technology	Singapore	June 25, 2019	40201913793T	35		June 25, 2029
14.	Xiaopeng Technology	Malaysia	September 2, 2020	TM2019022584	35		June 25, 2029

APPENDIX IV





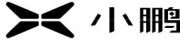


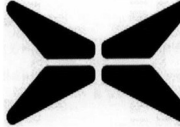
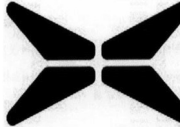
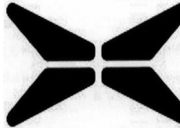
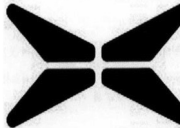
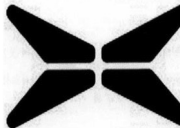
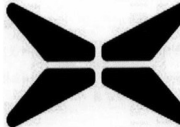
STATUTORY AND GENERAL INFORMATION

	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
15.	Xiaopeng Technology	Taiwan	February 1, 2020	02039559	35		January 31, 2030
16.	Xiaopeng Technology	Singapore	June 25, 2019	40201913791V	9		June 25, 2029
17.	Xiaopeng Technology	Malaysia	September 24, 2020	TM2019022580	9		June 25, 2029
18.	Xiaopeng Technology	Taiwan	January 1, 2020	02031826	9		December 31, 2029
19.	Xiaopeng Technology	New Zealand	January 28, 2020	1123850	9,35,37		June 26, 2029
20.	Xiaopeng Technology	Germany	July 8, 2019	30 2019 108 285	9,12,35,37		June 26, 2029
21.	Xiaopeng Technology	United Kingdom	September 20, 2019	UK00003409442	9,35,37		June 25, 2029
22.	Xiaopeng Technology	Norway	November 6, 2019	306654	9,35,37		June 25, 2029
23.	Xiaopeng Technology	European Intellectual Property Office	November 29, 2019	18085581	9,35,37		June 25, 2029
24.	Xiaopeng Technology	Australia	March 17, 2020	2018659	9,35,37		June 25, 2029
25.	Xiaopeng Technology	France	November 1, 2019	194562604	9,12,35,37		June 25, 2029
26.	Xiaopeng Technology	Benelux Office for Intellectual Property	September 17, 2019	1398032	9,12,35,37		June 25, 2029
27.	Xiaopeng Technology	Macau Special Administrative Region	November 28, 2019	N/156104	37		November 28, 2026

APPENDIX IV

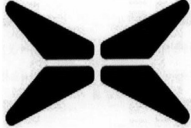
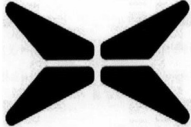
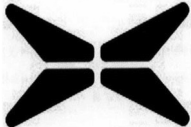
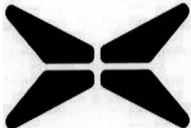
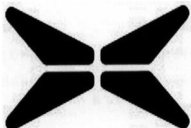
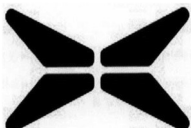
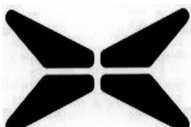
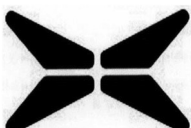
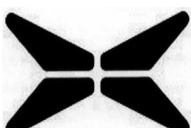
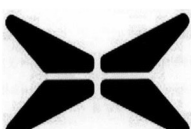
STATUTORY AND GENERAL INFORMATION

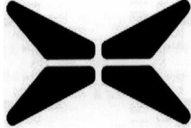
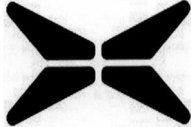
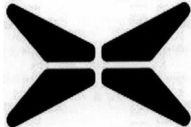
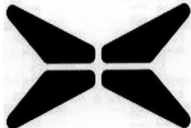
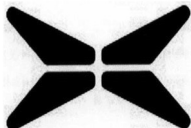
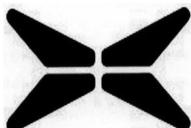
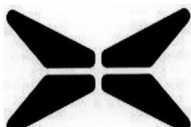
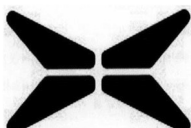
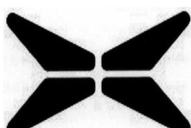
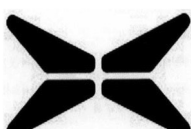
	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
28.	Xiaopeng Technology	Singapore	June 25, 2019	40201913794R	37	 P E N G	June 25, 2029
29.	Xiaopeng Technology	Malaysia	September 2, 2020	TM2019022577	37	 P E N G	June 25, 2029
30.	Xiaopeng Technology	Taiwan	February 1, 2020	02039785	37	 P E N G	January 31, 2030
31.	Xiaopeng Technology	Macau Special Administrative Region	November 28, 2019	N/156103	35	 P E N G	November 28, 2026
32.	Xiaopeng Technology	Singapore	June 25, 2019	40201913796Y	35	 P E N G	June 25, 2029
33.	Xiaopeng Technology	Malaysia	October 21, 2020	TM2019022575	35	 P E N G	June 25, 2029
34.	Xiaopeng Technology	Taiwan	February 1, 2020	02039560	35	 P E N G	January 31, 2030
35.	Xiaopeng Technology	Macau Special Administrative Region	November 28, 2019	N/156102	9	 P E N G	November 28, 2026
36.	Xiaopeng Technology	Singapore	June 25, 2019	40201913792W	9	 P E N G	June 25, 2029
37.	Xiaopeng Technology	Malaysia	October 21, 2020	TM2019022571	9	 P E N G	June 25, 2029
38.	Xiaopeng Technology	Taiwan	January 1, 2020	02031827	9	 P E N G	December 31, 2029
39.	Xiaopeng Technology	PRC	November 7, 2020	41525591	39	 P E N G	November 6, 2030
40.	Xiaopeng Technology	PRC	June 7, 2020	39770170	27	 小鹏	June 6, 2030
41.	Xiaopeng Technology	PRC	September 7, 2020	39777905	12	 小鹏	September 6, 2030
42.	Xiaopeng Technology	PRC	June 21, 2020	39777875	3	 小鹏	June 20, 2030
43.	Xiaopeng Technology	PRC	February 28, 2020	37454551	39	 P E N G	February 27, 2030
44.	Xiaopeng Technology	Australia	February 27, 2019	1934333	12	 P E N G	June 15, 2028

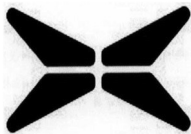
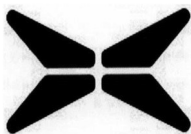
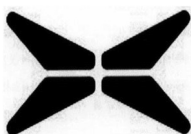
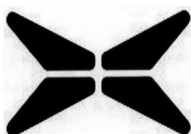
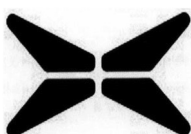
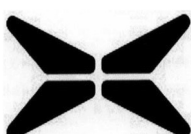
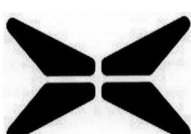
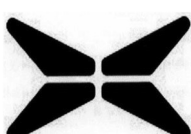
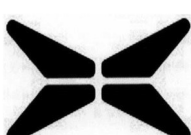
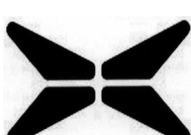
	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
45.	Xiaopeng Technology	Myanmar	August 16, 2018	4/8678/2018	12		August 16, 2021
46.	Xiaopeng Technology	Malaysia	June 18, 2018	2018007143	12		June 18, 2028
47.	Xiaopeng Technology	Macau Special Administrative Region	December 11, 2018	N/139728	12		December 11, 2025
48.	Xiaopeng Technology	South Korea	February 25, 2019	40-1451079	12		February 25, 2029
49.	Xiaopeng Technology	Taiwan	December 16, 2018	01958132	12		December 15, 2028
50.	Xiaopeng Technology	Singapore	June 6, 2018	40201810948P	12		June 6, 2028
51.	Xiaopeng Technology	Japan	February 15, 2019	6121746	12		February 15, 2029
52.	Xiaopeng Technology	Myanmar	August 16, 2018	4/8677/2018	12		August 16, 2021
53.	Xiaopeng Technology	Kuwait	March 2, 2019	KW167608	12		July 29, 2028
54.	Xiaopeng Technology	The Plurinational State of Bolivia	February 26, 2019	184317-C	12		February 26, 2029
55.	Xiaopeng Technology	Islamic Republic of Iran	September 17, 2018	311066	12		July 22, 2028
56.	Xiaopeng Technology	Qatar	January 1, 2020	124277	12		July 11, 2028
57.	Xiaopeng Technology	Cambodia	May 28, 2019	KH/71884/19	12		June 19, 2028

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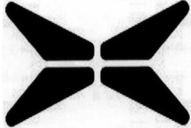
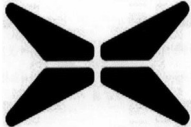













	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
58.	Xiaopeng Technology	Pakistan	August 30, 2019	499227	12		June 19, 2028
59.	Xiaopeng Technology	Malaysia	June 18, 2018	2018007144	12		June 18, 2028
60.	Xiaopeng Technology	Macau Special Administrative Region	December 11, 2018	N/139727	12		December 11, 2025
61.	Xiaopeng Technology	Paraguay	May 30, 2019	484546	12		May 30, 2029
62.	Xiaopeng Technology	Philippines	November 1, 2018	4/2018/00009992	12		November 1, 2028
63.	Xiaopeng Technology	India	December 14, 2018	3858690	12		June 13, 2028
64.	Xiaopeng Technology	Columbia	January 30, 2019	613486	12		January 30, 2029
65.	Xiaopeng Technology	Kyrgyzstan	June 28, 2019	15891	12		June 12, 2028
66.	Xiaopeng Technology	Kazakhstan	February 6, 2019	63045	12		June 12, 2028
67.	Xiaopeng Technology	United States	May 7, 2019	5,743,633	12		May 7, 2029

	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
68.	Xiaopeng Technology	Tajikistan	November 18, 2019	TJ13637	12		June 11, 2028
69.	Xiaopeng Technology	Mexico	September 27, 2018	1931304	12		June 11, 2028
70.	Xiaopeng Technology	Chile	October 1, 2018	1282774	12		October 1, 2028
71.	Xiaopeng Technology	Turkmenistan	July 15, 2019	15600	12		June 11, 2028
72.	Xiaopeng Technology	Israel	May 2, 2019	306120	12		June 10, 2028
73.	Xiaopeng Technology	Peru	July 31, 2018	00267841	12		July 31, 2028
74.	Xiaopeng Technology	South Korea	February 25, 2019	40-1451078	12		February 25, 2029
75.	Xiaopeng Technology	Turkey	December 20, 2018	2018 56329	12		June 8, 2028
76.	Xiaopeng Technology	African Intellectual Property Organization	September 18, 2018	102135	12		June 8, 2028
77.	Xiaopeng Technology	Brazil	April 30, 2019	914827715	12		April 30, 2029



	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
78.	Xiaopeng Technology	Norway	October 31, 2018	300899	12		June 8, 2028
79.	Xiaopeng Technology	Taiwan	December 16, 2018	01958133	12		December 15, 2028
80.	Xiaopeng Technology	Singapore	June 6, 2018	40201810947R	12		June 6, 2028
81.	Xiaopeng Technology	Japan	February 15, 2019	6121745	12		February 15, 2029
82.	Xiaopeng Technology	Hong Kong	October 22, 2018	304553587	12		June 6, 2028
83.	Xiaopeng Technology	New Zealand	December 7, 2018	1094649	12		June 6, 2028
84.	Xiaopeng Technology	United Kingdom	August 31, 2018	UK00003315613	12		June 5, 2028
85.	Xiaopeng Technology	Ukraine	July 27, 2020	279311	12		June 5, 2028
86.	Xiaopeng Technology	Russian Federation	February 19, 2019	699412	12		June 5, 2028
87.	Xiaopeng Technology	European Intellectual Property Office	September 29, 2018	017912361	12		June 5, 2028

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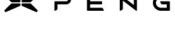

	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
88.	Xiaopeng Technology	Australia	January 15, 2019	1931820	12		June 5, 2028
89.	Xiaopeng Technology	Canada	September 14, 2020	TMA1081582	12		September 14, 2030
90.	Xiaopeng Technology	Myanmar	August 15, 2018	4/8676/2018	12		August 15, 2021
91.	Xiaopeng Technology	Kuwait	March 2, 2019	KW167609	12		July 29, 2028
92.	Xiaopeng Technology	The Plurinational State of Bolivia	February 26, 2019	184316-C	12		February 26, 2029
93.	Xiaopeng Technology	Islamic Republic of Iran	September 26, 2018	311593	12		July 18, 2028
94.	Xiaopeng Technology	Egypt	February 19, 2020	373715	12		February 18, 2028
95.	Xiaopeng Technology	Qatar	January 1, 2020	124278	12		July 11, 2028
96.	Xiaopeng Technology	United States	October 8, 2019	5877354	12		October 8, 2029
97.	Xiaopeng Technology	African Intellectual Property Organization	September 18, 2018	102235	12		June 22, 2028
98.	Xiaopeng Technology	Taiwan	December 16, 2018	1958140	12		December 15, 2028
99.	Xiaopeng Technology	South Korea	March 14, 2019	40-1458327	12		March 14, 2029
100.	Xiaopeng Technology	Malaysia	June 20, 2018	2018007443	12		June 20, 2028
101.	Xiaopeng Technology	Cambodia	May 28, 2019	KH/71883/19	12		June 19, 2028
102.	Xiaopeng Technology	Kyrgyzstan	May 29, 2019	15792	12		June 19, 2028

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	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
103.	Xiaopeng Technology	Pakistan	September 3, 2019	499226	12		June 19, 2028
104.	Xiaopeng Technology	Kazakhstan	February 14, 2019	63176	12		June 19, 2028
105.	Xiaopeng Technology	Japan	March 1, 2019	6125536	12		March 1, 2029
106.	Xiaopeng Technology	Turkey	December 13, 2018	2018 57996	12		June 18, 2028
107.	Xiaopeng Technology	Russian Federation	February 20, 2019	699647	12		June 18, 2028
108.	Xiaopeng Technology	Tajikistan	May 17, 2019	TJ13365	12		June 18, 2028
109.	Xiaopeng Technology	Paraguay	May 30, 2019	484547	12		May 30, 2029
110.	Xiaopeng Technology	Chile	March 28, 2019	1294140	12		March 28, 2029
111.	Xiaopeng Technology	New Zealand	December 19, 2018	1095400	12		June 18, 2028
112.	Xiaopeng Technology	Uruguay	September 30, 2020	63869	12		September 29, 2030
113.	Xiaopeng Technology	Turkmenistan	September 11, 2019	15679	12		June 18, 2028
114.	Xiaopeng Technology	Israel	May 2, 2019	306334	12		June 17, 2028
115.	Xiaopeng Technology	United Kingdom	November 16, 2018	UK00003318201	12		June 15, 2028
116.	Xiaopeng Technology	Columbia	January 30, 2019	613506	12		January 30, 2029
117.	Xiaopeng Technology	Macau Special Administrative Region	December 11, 2018	N/139729	12		December 11, 2025
118.	Xiaopeng Technology	Ukraine	September 25, 2020	282661	12		June 15, 2028
119.	Xiaopeng Technology	Singapore	June 16, 2018	40201811758W	12		June 16, 2028

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	Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
120.	Xiaopeng Technology	South Africa	June 28, 2019	2018/16879	12	 P E N G	June 15, 2028
121.	Xiaopeng Technology	Brazil	April 30, 2019	914864980	12	 P E N G	April 30, 2029
122.	Xiaopeng Technology	Norway	November 19, 2018	301148	12	 P E N G	June 15, 2028
123.	Xiaopeng Technology	European Patent Office	September 29, 2018	017918093	12	 P E N G	June 15, 2028
124.	Xiaopeng Technology	PRC	June 28, 2019	31614991	42	 P E N G	June 27, 2029
125.	Xiaopeng Technology	PRC	May 21, 2019	31627380A	37	 P E N G	May 20, 2029
126.	Xiaopeng Technology	PRC	May 7, 2019	31633729	36	 P E N G	May 6, 2029
127.	Xiaopeng Technology	PRC	July 14, 2019	31627384	35	 P E N G	July 13, 2029
128.	Xiaopeng Technology	PRC	March 28, 2019	31614418	12	 P E N G	March 27, 2029
129.	Xiaopeng Technology	PRC	August 21, 2019	30316389	42	 小鹏	August 20, 2029
130.	Xiaopeng Technology	PRC	March 14, 2019	30301755	39	 小鹏	March 13, 2029
131.	Xiaopeng Technology	PRC	December 14, 2019	30301747	37	 小鹏	December 13, 2029
132.	Xiaopeng Technology	PRC	June 14, 2020	30297049	36	 小鹏	June 13, 2030
133.	Xiaopeng Technology	PRC	August 28, 2020	30304319	35	 小鹏	August 27, 2030
134.	Xiaopeng Technology	PRC	June 7, 2019	30302049	12	 小鹏	June 6, 2029
135.	Xiaopeng Technology	PRC	June 14, 2020	30306967	9	 小鹏	June 13, 2030
136.	Xiaopeng Technology	PRC	December 7, 2018	28547908	39		December 6, 2028

Registered Owner	Places of registration	Date of Registration	Registration number	Category	Trademark	Expiry Date
137. Xiaopeng Technology	PRC	June 14, 2020	28526203	37		June 13, 2030
138. Xiaopeng Technology	PRC	December 7, 2018	28547882	12		December 6, 2028
139. Xiaopeng Technology	PRC	June 14, 2020	28526204	9		June 13, 2030

Patents

As of the Latest Practicable Date, our Group owns the following patents which we consider to be or may be material to our business:

Name of patent	Patent number/ application number	Type of application	Patent owner	Date of grant
1. Vehicle unlock control method based on mobile terminal and the mobile terminal	201910680658.4	Invention Patent	Xiaopeng Technology	February 19, 2021
2. Fire detection system for electric vehicle and the electric vehicle	201920504011.1	Utility Model	Xiaopeng Technology	June 12, 2020
3. Intelligent Control Method and On-board System for Automotive Air Conditioning	201910150465.8	Invention Patent	Xiaopeng Technology	October 20, 2020
4. Whole Car	201930039882.6	Design Patent	Xiaopeng Technology	November 22, 2019
5. Virtual Key Binding Method and System	201910187024.5	Invention Patent	Xiaopeng Technology	October 16, 2020
6. Method and Device for Vehicle Unlock Authentication Based on Terminal Equipment	201910256019.5	Invention Patent	Xiaopeng Technology	April 24, 2020
7. A battery thermal equalization control device, power batteries and automobiles	201920059716.7	Utility Model	Xiaopeng Technology	July 30, 2019
8. A simultaneous localization and mapping method and System for Vehicles	201910136692.5	Invention Patent	Xiaopeng Technology	February 19, 2021

	Name of patent	Patent number/ application number	Type of application	Patent owner	Date of grant
9.	A Parking Location Detection Method and Device	201811559894.2	Invention Patent	Xiaopeng Technology	December 15, 2020
10.	Driving Stabilizer and Transportation Appliances	201811547831.5	Invention Patent	Xiaopeng Technology	October 16, 2020
11.	An electronic parking system, method, device, medium and equipment	201811573722.0	Invention Patent	Xiaopeng Technology	September 11, 2020
12.	Automatic Parking Method and System	201811389134.1	Invention Patent	Xiaopeng Technology	September 18, 2020
13.	A Method and System for Calibrating External Parameters of Sensors	201811654041.7	Invention Patent	Xiaopeng Technology	December 15, 2020
14.	A Vehicle Positioning Method and System Based on Monocular Vision simultaneous localization and mapping	201910132886.8	Invention Patent	Xiaopeng Technology	April 13, 2021
15.	Car Location Detection Method and Device	201811256532.6	Invention Patent	Xiaopeng Technology	February 19, 2021
16.	A Safe Distance Warning Method for Automatic Parking and Car Terminal	201811253506.8	Invention Patent	Xiaopeng Technology	December 15, 2020
17.	An Automatic Parking Method and Vehicle Control System	201811244685.9	Invention Patent	Xiaopeng Technology	July 7, 2020
18.	An Overcurrent Fuse Protection Method and Automotive Battery Management System	201811308485.5	Invention Patent	Xiaopeng Technology	June 12, 2020
19.	Method and Device for Foreign Object Coverage Treatment Based on Ultrasound Radar	201811284478.6	Invention Patent	Xiaopeng Technology	September 11, 2020
20.	A touch control method for in-vehicle control device and in-vehicle control device	201811309273.9	Invention Patent	Xiaopeng Technology	November 13, 2020
21.	Permission Authorization Methods, Devices and Electric Vehicles for Triggering Operations	201811307946.7	Invention Patent	Xiaopeng Technology	November 10, 2020
22.	Adaptive cruise control prevention control methods, systems, devices and storage media	201811401567.4	Invention Patent	Xiaopeng Technology	November 10, 2020

Name of patent	Patent number/ application number	Type of application	Patent owner	Date of grant
23. Vehicle Audio System and Audio Playback Method	201811252082.3	Invention Patent	Xiaopeng Technology	March 3, 2020
24. A diagnostic method and device for the initial position of resolver in an electric vehicle	201810962957.2	Invention Patent	Xiaopeng Technology	June 12, 2020
25. Active Inlet Grid Wind Guide Structure, Wind Guide Device and Automobile	201821279596.3	Utility Model	Xiaopeng Technology	May 7, 2019
26. A Fast Adjusting Device for Automotive Glass Water Nozzle	201821202375.6	Utility Model	Xiaopeng Technology, Zhaoqing Xiaopeng Automobile Co., Ltd.	May 17, 2019
27. A Fast Adjusting Device and Method for Automotive Glass Water Nozzle	201810834349.3	Invention Patent	Xiaopeng Technology, Zhaoqing Xiaopeng Automobile Co., Ltd.	March 3, 2020
28. A Method and Device for Automatic Lane Change of Vehicles	201810762995.3	Invention Patent	Xiaopeng Technology	December 25, 2020
29. A power switching circuit for Vehicle Data Terminal	201820164403.3	Utility Model	Xiaopeng Technology	October 26, 2018
30. Car	201730635075.1	Design Patent	Xiaopeng Technology	August 21, 2018
31. Adaptive cruise control method and system based on bypass route prediction	201711238446.8	Invention Patent	Xiaopeng Technology	June 12, 2020
32. A Vehicle Control Method, System and Vehicle Based on Road Adhesion Capability	201711238443.4	Invention Patent	Xiaopeng Technology	October 25, 2019
33. A Method and System for Automatic Parking Route Planning	201710755753.7	Invention Patent	Xiaopeng Technology	September 17, 2019
34. An Automatic Parking Control Method and System	201710754715.X	Invention Patent	Xiaopeng Technology	July 23, 2019
35. an automatic car parking route obstacle Collision Detection Method, Device and System	201710755754.1	Invention Patent	Xiaopeng Technology	May 8, 2020

Name of patent	Patent number/ application number	Type of application	Patent owner	Date of grant
36. Battery Charging Control Method and System Based on Electric Vehicle Travel Mode	201710754896.6	Invention Patent	Xiaopeng Technology	January 14, 2020
37. An organic light-emitting diode-based charging indicator system for electric vehicles	201720673233.7	Utility Model	Xiaopeng Technology	January 23, 2018
38. Vehicle Speed Control Method and System for Full Speed Range Constant Speed Cruise	201710385187.5	Invention Patent	Xiaopeng Technology	September 13, 2019
39. Whole Car	201730118114.0	Design Patent	Xiaopeng Technology	September 19, 2017
40. An Electric Vehicle Heating System	201720277880.6	Utility Model	Xiaopeng Technology	November 21, 2017
41. Whole Car	201630468686.7	Design Patent	Xiaopeng Technology	February 8, 2017
42. A Method for Estimating Battery Remaining Capacity	201610108586.2	Invention Patent	Chengxing Zhidong	October 17, 2017
43. Position and Posture Estimation Method for Auto-Driving Vehicles	201510627561.9	Invention Patent	Xiaopeng Technology	August 22, 2017
44. A New Energy Vehicle System with Charge Protection	201510267279.4	Invention Patent	Xiaopeng Technology	August 31, 2016
45. Communication method, storage method, operation method and device	201911061968.4	Invention Patent	Xiaopeng Technology	April 13, 2021
46. Parking space detection method, device, medium and equipment	201810736559.9	Invention Patent	Xiaopeng Technology	April 13, 2021
47. An unmanned path planning method, system and device	201710770252.6	Invention Patent	Xiaopeng Technology	April 13, 2021
48. A planning method and system for optimal route and driving mode of electric vehicle	201710754825.6	Invention Patent	Xiaopeng Technology	April 13, 2021
49. On-board display system and vehicles	202010165253.X	Invention Patent	Xiaopeng Technology	June 4, 2020
50. Security upgrade methods, systems, servers and in-vehicle terminals	201910587995.9	Invention Patent	Xiaopeng Technology	June 4, 2020

Name of patent	Patent number/ application number	Type of application	Patent owner	Date of grant
51. Vehicle and its control method and device	201910304596.7	Invention Patent	Xiaopeng Technology	June 4, 2020
52. An automatic parking method and device	201810826931.5	Invention Patent	Xiaopeng Technology	June 4, 2020

As of the Latest Practicable Date, we have applied for registration of the following patents which we consider to be or may be material to our business:

Name of patent under application	Application number	Type of application	Applicant	Date of application
1 A Method and Device for Determining Vehicle Yaw Angle	202110005039.2	Invention Patent	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd	January 4, 2021
2 A battery management method, device and vehicle	202011567605.0	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 25, 2020
3 Control methods, client terminal, vehicles, voice systems, and storage media	202011562171.5	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 25, 2020
4 Voice Interaction Methods, Servers, Voice Interaction Systems and Storage Media	202011562166.4	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 25, 2020
5 A method and device for voice interaction	202011522703.2	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 21, 2020
6 Voice interaction methods, servers, voice interaction systems, and readable storage media	202011460470.8	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 11, 2020
7 A Vehicle Digital Key Allocation Management Method and Device	202011494238.6	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	December 16, 2020
8 A control method and device for ground lock of charging pile	202011066482.2	Invention Patent	Xiaopeng Technology	September 30, 2020
9 Monitoring methods, monitoring devices, servers and storage media for vehicle pit accidents	202011255021.X	Invention Patent	Xiaopeng Technology	November 11, 2020
10 A Vehicle Positioning Method and Device	202011105411.9	Invention Patent	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd	October 15, 2020

	Name of patent under application	Application number	Type of application	Applicant	Date of application
11	A Vehicle Control Method and Device	202010955838.1	Invention Patent	Xiaopeng Technology	September 11, 2020
12	Data processing methods, devices and systems	202010763299.1	Invention Patent	Xiaopeng Technology	July 31, 2020
13	A control method and device	202010889070.2	Invention Patent	Xiaopeng Technology	August 28, 2020
14	Thermal management systems and vehicles	202011095995.6	Invention Patent	Xiaopeng Technology	October 14, 2020
15	A Parking-based Information Processing Method and Vehicle	202010605428.4	Invention Patent	Chengxing Zhidong, Xiaopeng Technology	June 29, 2020
16	A vehicle parking method and device	202010238794.0	Invention Patent	Xiaopeng Technology	March 30, 2020
17	A Calculating Method for Charging Remaining Time and Device, Storage Media	202010306502.2	Invention Patent	Zhaoqing Xiaopeng Automobile Co., Ltd.	April 17, 2020
18	Upgraded firmware protection methods, devices and vehicles for processors	201911331484.7	Invention Patent	Xiaopeng Technology	December 21, 2019
19	A Control Method for Thermal Management System of Electric Vehicle and Electric Vehicle	201911010183.4	Invention Patent	Xiaopeng Technology	October 23, 2019
20	A moving method, system, vehicle and storage medium for interface elements	201910955328.1	Invention Patent	Xiaopeng Technology	October 9, 2019
21	Processing method of multi-round conversation and processing device, vehicle, storage media	202010009323.2	Invention Patent	Xiaopeng Technology	January 6, 2020
22	A navigation method, device, vehicle and computer readable storage medium	201911260326.7	Invention Patent	Xiaopeng Technology	December 10, 2019
23	Batch Inference for Micro Services, Server and Computer Readable Storage Media	201911256451.0	Invention Patent	Xiaopeng Technology	December 10, 2019
24	Integrated expansion kettle for electric vehicles and electric vehicles	201910822053.4	Invention Patent	Xiaopeng Technology	September 2, 2019

	Name of patent under application	Application number	Type of application	Applicant	Date of application
25	Processing methods and devices, electronic terminals and media for destinations	201910974276.2	Invention Patent	Xiaopeng Technology	October 14, 2019
26	Processing method, first electronic terminal, second electronic terminal and processing system	201910641942.0	Invention Patent	Xiaopeng Technology	July 16, 2019
27	Rainfall volume Notification alert method, Warning Devices and Vehicles	201910885619.8	Invention Patent	Xiaopeng Technology	September 19, 2019
28	Depth information determination methods, determination devices, electronic devices, and vehicles	201911000153.5	Invention Patent	Xiaopeng Technology	October 21, 2019
29	Fusion methods and devices, detection methods, acquisition methods, servers and vehicles	201910562056.9	Invention Patent	Xiaopeng Technology	June 26, 2019
30	Parking control methods, devices, computer devices and their storage media	201910563645.9	Invention Patent	Xiaopeng Technology	June 26, 2019
31	Upgrade Method, Upgrade System, Server and Vehicle Terminal of Vehicle System	201910587994.4	Invention Patent	Xiaopeng Technology	July 2, 2019
32	Personal Information Protection Methods, Protective Devices and Vehicles	201910574147.4	Invention Patent	Xiaopeng Technology	June 28, 2019
33	A Control Method and Device for Car Key	201910406847.2	Invention Patent	Xiaopeng Technology	May 16, 2019
34	A Method and System for Updating Track Landmarks	201910461925.9	Invention Patent	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd	May 29, 2019
35	A track signs recognition method and system	201910461999.2	Invention Patent	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd	May 29, 2019
36	Vehicle and its control method and device	201910482104.3	Invention Patent	Xiaopeng Technology	June 4, 2019
37	Display method, device and intelligent vehicle of spring window in-vehicle application	201910528324.5	Invention Patent	Xiaopeng Technology	June 18, 2019

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

Name of patent under application	Application number	Type of application	Applicant	Date of application
38 A voice control system for automobile	201910330309.X	Invention Patent	Xiaopeng Technology	April 23, 2019
39 A vehicle key control method and system	201910406843.4	Invention Patent	Xiaopeng Technology	May 16, 2019
40 An in-vehicle audio system	201910334768.5	Invention Patent	Xiaopeng Technology	April 24, 2019
41 Battery charging time prediction method, device and battery management system	201910407075.4	Invention Patent	Xiaopeng Technology	May 15, 2019
42 Vehicle light effect self-defining method, system and a vehicle	201910268072.7	Invention Patent	Xiaopeng Technology	April 3, 2019
43 A vehicle automatic following control method and system	201910275899.0	Invention Patent	Xiaopeng Technology	April 8, 2019
44 A lighting effect control method applied to an automobile, an automobile lighting system and vehicle	201910267508.0	Invention Patent	Xiaopeng Technology	April 3, 2019
45 A programmable lighting system, a lighting effect output method and a vehicle	201910267509.5	Invention Patent	Xiaopeng Technology	April 3, 2019
46 A communication method applied to automobile lighting system and automobile lighting system	201910267507.6	Invention Patent	Xiaopeng Technology	April 3, 2019
47 A sound field positioning adjustment method and vehicle audio system	201910191650.1	Invention Patent	Xiaopeng Technology	March 14, 2019
48 A single battery, a battery module and an electric vehicle	201910185653.4	Invention Patent	Xiaopeng Technology	March 12, 2019
49 Virtual key binding method and system	202010575658.0	Invention Patent	Xiaopeng Technology	March 12, 2019
50 A connection structure between a battery terminal and a bus bar and a battery module	201910103200.2	Invention Patent	Xiaopeng Technology	January 31, 2019
51 An auxiliary early warning method and system for vehicle safety parking	201910123827.4	Invention Patent	Xiaopeng Technology	February 19, 2019

Name of patent under application	Application number	Type of application	Applicant	Date of application
52 Car washing method based on Internet and car washing machine, server and vehicle terminal	201910052878.2	Invention Patent	Xiaopeng Technology	January 21, 2019
53 A calibration method and system for camera external parameters	201910455877.2	Invention Patent	Xiaopeng Technology	May 28, 2019
54 A method, system and electronic equipment of vehicle automatic driving based on self learning	201811603639.3	Invention Patent	Xiaopeng Technology	December 26, 2018
55 A star sky atmosphere lighting, a control method thereof and an automobile	201910010677.6	Invention Patent	Xiaopeng Technology	January 7, 2019
56 A speech recognition method and system based on multi microphone array	201811508225.2	Invention Patent	Xiaopeng Technology	December 11, 2018
57 Vehicle control method, device, equipment, storage medium and vehicle	201811415567.X	Invention Patent	Xiaopeng Technology	November 23, 2018
58 A sound effect adjusting method, a device and a computer readable storage medium	201811393933.6	Invention Patent	Xiaopeng Technology	November 21, 2018
59 Navigation device and navigation system	201811330284.5	Invention Patent	Xiaopeng Technology	November 9, 2018
60 A touch control method and system for in-vehicle central control large screen	201811308561.2	Invention Patent	Xiaopeng Technology	November 5, 2018
61 A workpiece adopting two-color injection molding, a manufacturing mold and a manufacturing method thereof	201811108525.1	Invention Patent	Xiaopeng Technology	September 21, 2018
62 An automatic driving method and device	201810570006.0	Invention Patent	Xiaopeng Technology	June 5, 2018
63 A power switching circuit for vehicle data terminal	201810087199.4	Invention Patent	Xiaopeng Technology	January 30, 2018
64 An electric vehicle charging indication system based on organic light-emitting diode and its implementation method	201710432266.7	Invention Patent	Xiaopeng Technology	June 9, 2017

Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be or may be material to our business:

	<u>Owner</u>	<u>Copyright</u>	<u>Registration number</u>	<u>Place of registration</u>	<u>Date of registration</u>
1.	Shanghai Xiaopeng Motors Technology Co. Ltd	Xiaopeng motors show synchronization software	2020SR1792008	PRC	December 11, 2020
2.	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.	Xiaopeng Motors NGP system software for high speed autonomous navigation driving of XPILOT 3.0	2021SR0335274	PRC	March 4, 2021
3.	Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors application store system	2020SR1783129	PRC	December 10, 2020
4.	Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors vehicle on-board user manual system	2020SR1740238	PRC	December 4, 2020
5.	Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors vehicle-on board exhibition mode system	2020SR1740237	PRC	December 4, 2020
6.	Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors air conditioning control software	2020SR1752489	PRC	December 7, 2020
7.	Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors OOBEE boot up guide (CN)	2020SR1796193	PRC	December 11, 2020
8.	Zhipeng IoV	Xiaopeng Motors XAET sound tuning system (CN)	2021SR0331868	PRC	March 3, 2021
9.	Zhipeng IoV	Xiaopeng Motors VBM system (CN)	2020SR1241520	PRC	October 23, 2020
10.	Xiaopeng Technology	Xiaopeng Motors OA system	2021SR0292944	PRC	February 26, 2021
11.	Xiaopeng Technology	Xiaopeng Motors month-end cockpit system (CN)	2020SR1164404	PRC	September 25, 2020
12.	Zhipeng IoV	Xiaopeng Motors vehicle on-board application store system (front-end) (CN)	2020SR1089307	PRC	September 14, 2020
13.	Chengxing Zhidong	Xiaopeng Motors visitor system (CN)	2020SR1187065	PRC	September 29, 2020
14.	Xiaopeng Technology	Xiaopeng Motors electronic spare parts catalogue system (CN)	2020SR0907256	PRC	August 11, 2020

Owner	Copyright	Registration number	Place of registration	Date of registration
15. Xiaopeng Technology	Xiaopeng Motors quality business analysis system (CN)	2020SR0907248	PRC	August 11, 2020
16. Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.	Xiaopeng Motors product PLM system (CN)	2020SR0919552	PRC	August 13, 2020
17. Xiaopeng Technology	Xiaopeng Motors marketing service platform (CN)	2020SR1129929	PRC	September 21, 2020
18. Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.	Xiaopeng Motors auto adaptive cruise system software (CN)	2020SR0643281	PRC	June 17, 2020
19. Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors sharing component SDK (CN)	2020SR0658654	PRC	June 22, 2020
20. Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors document transfer (CN)	2020SR0795359	PRC	July 20, 2020
21. Shanghai Xiaopeng Motors Technology Co., Ltd.	Xiaopeng Motors vehicle on-board bluetooth phone system (CN)	2020SR0321527	PRC	April 10, 2020
22. Xiaopeng Technology	Xiaopeng Motors application system central certification platform (CN)	2020SR0586258	PRC	June 8, 2020
23. Xiaopeng Technology	Xiaopeng Motors hardware design verification and inspection system for diagnostic service	2019SR1110435	PRC	November 1, 2019
24. Xiaopeng Technology	Xiaopeng Motors bastion host system	2019SR0794914	PRC	July 31, 2019
25. Xiaopeng Technology	Xiaopeng Motors payment management system	2019SR0659122	PRC	June 26, 2019
26. Xiaopeng Technology	Xiaopeng Motors wallet management system	2019SR0659858	PRC	June 26, 2019
27. Xiaopeng Technology	Xiaopeng Motors user center management platform	2019SR0659843	PRC	June 26, 2019
28. Xiaopeng Technology	Xiaopeng Motors iOS client software	2019SRE014875	PRC	June 4, 2019
29. Xiaopeng Technology	Xiaopeng Motors Android client software	2019SRE014854	PRC	June 4, 2019
30. Xiaopeng Technology	Xiaopeng Motors auto parking software	2019SRE014899	PRC	June 4, 2019

Owner	Copyright	Registration number	Place of registration	Date of registration
31. Xiaopeng Technology	Xiaopeng Motors vehicle management system	2019SR0561313	PRC	June 3, 2019
32. Xiaopeng Technology	Xiaopeng Motors intelligent remote diagnosis platform	2019SR0556585	PRC	June 3, 2019
33. Xiaopeng Technology	Xiaopeng Motors intelligent driving posture calculation system	2019SR0558649	PRC	June 3, 2019
34. Xiaopeng Technology	Xiaopeng Motors driving warning and road condition virtual display system	2019SR0561488	PRC	June 3, 2019
35. Xiaopeng Technology	Xiaopeng Motors catering system (CN)	2020SR0795375	PRC	July 20, 2020
36. Xiaopeng Technology	Xiaopeng Motors small post office management system (CN)	2020SR0465096	PRC	May 18, 2020
37. Xiaopeng Technology	Xiaopeng Motors conference room flat panel system (CN)	2020SR0502907	PRC	May 25, 2020
38. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors WMS logistics pull management and control system (CN)	2020SR0907269	PRC	August 11, 2020
39. Xiaopeng Technology	Xiaopeng Motors supplier procurement management system	2020SR0979646	PRC	August 25, 2020
40. Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.	Xiaopeng Motors RF barcode management system (CN)	2020SR0907262	PRC	August 11, 2020
41. Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.	Xiaopeng Motors vehicle asset management system (CN)	2020SR1144519	PRC	September 23, 2020
42. Xiaopeng Technology	Xiaopeng Motors ERP Haima OEM raw material bill settlement system (CN)	2020SR1164410	PRC	September 25, 2020
43. Xiaopeng Technology	Xiaopeng Motors CATIA secondary developed built-for-purpose tools software (CN)	2020SR0812971	PRC	July 22, 2020
44. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors stamping production execution management system (CN)	2020SR0385801	PRC	April 27, 2020

Owner	Copyright	Registration number	Place of registration	Date of registration
45. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors production execution management system (CN)	2020SR0587289	PRC	June 8, 2020
46. Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.	Xiaopeng Motors BOM system	2020SR0516623	PRC	May 27, 2020
47. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors quality management system (CN)	2020SR1195457	PRC	October 9, 2020
48. Xiaopeng Technology	Xiaopeng Motors operation and maintenance monitoring platform (CN)	2020SR0385795	PRC	April 27, 2020
49. Xiaopeng Technology	Xiaopeng Motors Golden clue docking system (CN)	2020SR0422804	PRC	May 8, 2020
50. Xiaopeng Technology	Xiaopeng Motors coupon management system (CN)	2020SR0659882	PRC	June 22, 2020
51. Xiaopeng Technology	Xiaopeng Motors finance leasing platform (CN)	2020SR0979638	PRC	August 25, 2020
52. Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.	Xiaopeng Motors system set-up software (CN)	2020SR0755116	PRC	July 10, 2020
53. Xiaopeng Technology	Xiaopeng Motors OTA management platform (CN)	2020SR0907241	PRC	August 11, 2020
54. Xiaopeng Technology	Xiaopeng Motors battery charging open system (CN)	2019SR1323205	PRC	December 10, 2019
55. Xiaopeng Technology	Xiaopeng Motors battery charging operation management platform (CN)	2019SR1293909	PRC	December 5, 2019
56. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors audio background service system (CN)	2019SR1295160	PRC	December 5, 2019
57. Zhaoqing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors digital key background service system (CN)	2019SR1293047	PRC	December 5, 2019
58. Beijing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors customer files system (CN)	2019SR1266493	PRC	December 3, 2019
59. Beijing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors corpus annotation software platform (CN)	2019SR1248249	PRC	November 30, 2019

Owner	Copyright	Registration number	Place of registration	Date of registration
60. Beijing Xiaopeng Automobile Co., Ltd.	Xiaopeng Motors skill management software (CN)	2019SR1248744	PRC	November 30, 2019
61. Xiaopeng Technology	Xiaopeng Motors communication protocols software based on serial port design (CN)	2019SR0560007	PRC	June 3, 2019
62. Xiaopeng Technology	Control software based on Xiaopeng Motors internet structure of for selector of programmable controller area network (CAN) general line with multi-channels	2018SR817118	PRC	October 12, 2018
63. Xiaopeng Technology	Xiaopeng Motors iOS client software	2018SR174068	PRC	March 16, 2018
64. Xiaopeng Technology	Xiaopeng Motors Android client software	2018SR174296	PRC	March 16, 2018
65. Chengxing Zhidong	Xiaopeng Motors vehicle on-board network navigation software	2016SR145409	PRC	June 16, 2016
66. Xiaopeng Technology	Xiaopeng Motors Android customer software v2.18	2021SR0813057	PRC	June 1, 2021
67. Xiaopeng Technology	Xiaopeng Motors Android customer software v3.0	2021SR0710208	PRC	May 18, 2021
68. Xiaopeng Technology	Xiaopeng Technology iOS customer software v3.0.0	2021SR0696387	PRC	May 17, 2021
69. Xiaopeng Technology	Xiaopeng Technology iOS customer software v2.16.0	2021SR0696375	PRC	May 17, 2021
70. Xiaopeng Technology	Xiaopeng Technology iOS customer software v2.18.0	2021SR0696376	PRC	May 17, 2021
71. Xiaopeng Technology	Xiaopeng Technology iOS customer software v2.15	2021SR0714119	PRC	May 19, 2021

Domain name

As of the Latest Practicable Date, our Group had registered the following domain name which we consider to be or may be material to our business:

	Domain name	Date of registration	Place of registration	Expiry date	Owner
1.	youpengcx.com	November 16, 2018	PRC	November 16, 2023	Yidian Chuxing
2.	ypeng.com	February 5, 2012	PRC	February 5, 2024	Zhipeng IoV
3.	xiaopengstore.com	March 31, 2016	PRC	March 31, 2023	Zhipeng IoV
4.	p-xiaopeng.com	April 24, 2019	PRC	April 24, 2023	Xiaopeng Technology
5.	xiaopeng.link	December 16, 2020	PRC	December 16, 2030	Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.
6.	xiaopeng.com	October 12, 2004	PRC	October 12, 2026	Xiaopeng Technology
7.	HEYXPENG.COM	April 6, 2021	Generic	April 6, 2024	Xiaopeng Technology
8.	XPENG.NO	March 18, 2020	Norway	March 18, 2022	Xiaopeng Technology
9.	XMOTORS.AI	October 12, 2017	Anguilla	October 12, 2024	Xiaopeng Technology

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Letters of Appointment

(a) Executive directors

Each of our executive Directors has entered into a letter of appointment with our Company for a term of three years.

(b) Non-executive directors

Each of our non-executive Directors has entered into a letter of appointment with our Company for a term of three years.

(c) Independent non-executive directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors

For details of the Directors' remuneration, see "Directors and Senior Management – Directors' Remuneration."

3. Agency Fees or Commissions Received

The Underwriters will receive an underwriting commission, as detailed in “Underwriting – Underwriting Arrangements and Expenses.” Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph entitled “6. Consents and Qualifications of Experts” in the section entitled “E. Other Information” in this Appendix had received any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

4. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, and without taking into account any Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares of the Company

Name	Nature of interest	Relevant entity	Number and class of securities	Approximate percentage of interest of each class of shares in our Company immediately after the Global Offering
Xiaopeng He	Interest in controlled corporation	Simplicity Holding Limited	327,708,257 Class B ordinary shares	80.0%
		Respect Holding Limited	21,000,000 Class B ordinary shares	5.1%
Heng Xia	Interest in controlled corporation	Efficiency Investment Limited	61,137,879 Class B ordinary shares	14.9%
		Efficiency Investment Limited	12,580 Class A ordinary shares	0.0%

(ii) Interest in associated corporations

Associated Corporation	Name	Nature of interest	Approximate percentage of shareholding
Zhaoqing Xiaopeng New Energy Investment Co., Ltd.	Heng Xia	Interest in controlled corporation	25%
Zhipeng IoV	Heng Xia	Beneficial Interest	80%
Yidian Chuxing	Xiaopeng He	Beneficial Interest	80%
	Heng Xia	Beneficial Interest	20%

*(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO**(i) Interest in the Shares of the Company*

For details on, so far as our Directors are aware, immediately following the completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, and without taking into account any Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), persons who will have an interest or a short position in our Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, please see “Substantial Shareholders.”

(ii) Interest in our Company's Subsidiaries

So far as the Directors are aware, apart from our Company, immediately following completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, and without taking into account any Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), no persons (other than the Directors or chief executive of the Company) will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group (excluding our Group), save as disclosed below.

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Zhaoqing Xiaopeng New Energy Investment Co., Ltd.	Tao He	25%
Zhipeng IoV	Tao He	20%
Guangzhou Kunpeng Kechuang No.1 Venture Investment Partnership Enterprise (Limited Partnership)	Guangzhou Industrial Transformation and Upgrading Development Fund Company Limited ⁽¹⁾	24.5%
Guangzhou Kunpeng Innovative Investment Partnership Enterprise (Limited Partnership)	Guangzhou GET Investment Holdings Co., Ltd. ⁽²⁾	44.4%
Zhaoqing Kunpeng Real Estate Development Co., Ltd.	Zhaoqing Hi-Tech Zone Construction Investment Development Limited ⁽³⁾	26.2%

Notes:

- (1) Guangzhou Industrial Transformation and Upgrading Development Fund Company Limited (廣州市工業轉型升級發展基金有限公司) is wholly owned by Guangzhou Emerging Industry Development Fund Management Company Limited (廣州市新興產業發展基金管理有限公司), which in turn is wholly owned by Guangzhou Industrial Investment Fund Management Company Limited (廣州市產業投資基金管理有限公司). Guangzhou Industrial Investment Fund Management Company Limited (廣州市產業投資基金管理有限公司) is wholly owned by Guangzhou City Construction Investment Group Company Limited (廣州市城市建設投資集團有限公司).
- (2) Guangzhou GET Investment Holdings Co., Ltd (廣州凱得投資控股有限公司) is wholly owned by Guangzhou Development District Holding Group Limited (廣州開發區控股集團有限公司), which in turn is wholly owned by Guangzhou Economic and Technology Development Zone Administrative Committee (廣州經濟技術開發區管理委員會).
- (3) Zhaoqing Hi-Tech Zone Construction Investment Development Limited (肇慶市高新區建設投資開發有限公司) is a subsidiary of Zhaoqing Hi-Tech Zone Yuecai Emerging Industry Investment Partnership Enterprise (Limited Partnership) (肇慶市高新區粵財新興產業投資合夥企業 (有限合夥)), which in turn is a subsidiary of Guangdong Yuecai Intrust & Investment Company Limited (廣東粵財信託有限公司). Guangdong Yuecai Intrust & Investment Company Limited (廣東粵財信託有限公司) is a subsidiary of Guangdong Yuecai Investment Holdings Co., Limited (廣東粵財投資控股有限公司), which in turn is wholly owned by People's Government of Guangdong Province (廣東省人民政府).

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering (assuming (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary shares are issued under the 2019 Equity Incentive Plan; (iv) no Class B ordinary shares are converted into Class A ordinary shares other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, and without taking into account any Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

5. Personal Guarantees

Save as disclosed in this prospectus, as of the Latest Practicable Date, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Related Party Transactions

During the two years preceding the date of this prospectus, we have engaged in the related party transactions as described in Note 26 – Related Parties to the Accountant’s Report set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once the Class A ordinary shares of our Company are listed;
- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (c) none of the Directors nor any of the parties listed in the paragraph headed “– 6. Consents and Qualifications of Experts” of this Appendix is interested in our Company’s promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (d) none of the Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Class A ordinary shares are listed on the Stock Exchange;
- (e) none of the Directors of our Company nor any of the parties listed in paragraph headed “6. Consents and Qualifications of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- (f) none of the parties listed in the paragraph headed “6. Consents and Qualifications of Experts” of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company; and
- (g) none of the Directors or the respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. 2019 EQUITY INCENTIVE PLAN

Summary

The following is a summary of the principal terms of the 2019 Equity Incentive Plan of the Company which was first adopted by the Board on June 28, 2020 and was later amended and restated as approved and adopted pursuant to the written resolutions of all shareholders of the Company dated August 20, 2020, as amended from time to time. The 2019 Equity Incentive Plan superseded the predecessor equity incentive plan adopted by the Group and the RSUs that were outstanding under the predecessor equity incentive plan then became subject to the terms of the 2019 Equity Incentive Plan. The terms of the 2019 Equity Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the 2019 Equity Incentive Plan is to enable the Company to attract and retain the services of directors and employees considered essential to the success the Company and relevant member of the Group by providing additional incentives to promote the success of the Group as a whole.

(b) Who may join

Those eligible to participate in the 2019 Equity Incentive Plan include employees and Directors, as determined by the Compensation Committee of the Board (or a subcommittee thereof), or a committee authorized by the Board to act pursuant to the provisions of the 2019 Equity Incentive Plan (the “**Committee**”), or any member(s) of the board or officer(s) of the Company whom the Compensation Committee or the Committee has delegated its authority to (together, the “**Administrator**”). Subject to the provisions of this 2019 Equity Incentive Plan, the Administrator may, from time to time, select from among all Eligible Individuals, which mean any employee, consultant or Director (the “**Eligible Individual(s)**”) to whom awards in the form of restricted share awards (“**Restricted Shares**”), restricted share units (“**RSU**”), Dividend Equivalents (defined below), Share Appreciation Rights (defined below) and Share Payments (defined below) (collectively “**Awards**”) shall be granted.

(c) Maximum number of Shares

Pursuant to the Evergreen Feature (as defined below) of the 2019 Equity Incentive Plan, we renewed on January 1, 2021 the maximum number of RSUs which may granted under the 2019 Equity Incentive Plan to 63,192,227, which represented 4% of the total shares of the Company outstanding on December 31, 2020 and equal number of underlying Class A ordinary shares. As of the Latest Practicable Date, 60,402,569 RSUs (representing equal number of underlying Class A ordinary shares) may be further issued under the 2019 Equity Incentive Plan.

(d) Administration

The 2019 Equity Incentive Plan is administered by the Administrator, which includes the Committee or any member(s) of the Board or officer(s) of the Company whom the Committee has delegated its authority to act as the Administrator as provided in the 2019 Equity Incentive Plan. In the absence of such Committee, the term “Committee” shall mean the Board.

It shall be the duty of the Administrator to conduct the general administration of the Plan. Subject to any specific designation in the 2019 Equity Incentive Plan, the Administrator has the power and authority, in its discretion to:

- a) select Eligible Individuals to whom Awards may be granted from time to time;
- b) determine the type or types of Awards to be granted to each Eligible Individual;
- c) determine the base price of a Share Appreciation Right;
- d) determine the number of Shares, or fractions thereof, to be covered by each such Award granted;
- e) prescribe the forms of the Award Agreement (defined below) for use under the 2019 Equity Incentive Plan, which need not be identical for each Eligible Individual under the 2019 Equity Incentive Plan (the “**Participant**”) and to amend any Award Agreement;
- f) determine the terms and conditions of any Award granted pursuant to the 2019 Equity Incentive Plan, including but not limited to the exercise price, the time or times when Awards may be vested, issued or exercised, the times at which Shares are issuable under a RSU, whether any Award may be paid in cash or Shares, any rules for tolling the vesting of Awards upon an authorized leave of absence, any vesting acceleration or waiver of cancellation restriction, and any restriction or limitation regarding any Awards or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, determines;
- g) determine whether all matters and questions relating to whether a Participant’s status as an Eligible Individual has been terminated, including without limitation if such termination was for cause or for disability and if so, to determine the effective date of such termination and all questions of whether particular leaves of absence constitute a termination of the Participant as an Eligible Individual;
- h) determine whether any person that carries on activities for profit that is engaged in or is about to become engaged in any activity of any nature that competes with a product, process, technique, procedure, device or service of any member of the Group (a “**Competitor**”);
- i) unless otherwise required in the shareholder agreement of the Company, prescribe, amend and rescind rules and regulations relating to the 2019 Equity Incentive Plan and the administration of the 2019 Equity Incentive Plan and all Award Agreements (defined below);

- j) allow the Participants to satisfy minimum tax withholding obligations by having the Company withhold from the Shares to be issued pursuant to an Award (or a portion thereof), that number of Shares having a fair market value equal to the amount required to be withheld as set forth in the 2019 Equity Incentive Plan;
- k) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with applicable laws or any necessary local governmental regulatory exemptions or approvals or listing requirements of any securities exchange or automated quotation system;
- l) construe, interpret, reconcile any inconsistency in, correct any defect in and/or supply any omission in, the terms of the 2019 Equity Incentive Plan, any Award Agreement and any Award granted pursuant to the 2019 Equity Incentive Plan; and
- m) make all other decisions and determinations that may be required pursuant to the 2019 Equity Incentive Plan or as the Administrator deem necessary or advisable to administer the 2019 Equity Incentive Plan.

(e) Grant of Awards

The Administrator is authorized to grant Awards to Eligible Individuals in accordance with the terms of the 2019 Equity Incentive Plan. Awards granted will be evidenced by an agreement or other instrument or document (“**Award Agreement**”) between the Company and the Participant. The Award Agreement includes additional provisions (which shall not be inconsistent with the 2019 Equity Incentive Plan) specified by the Administrator. The Award Agreement shall set forth the number of Shares subject to the Award and the terms and conditions of the Award as determined by the Administrator.

(f) Terms of the 2019 Equity Incentive Plan

The 2019 Equity Incentive Plan commenced on June 28, 2020 (the “**Effective Date**”) and will expire on the tenth anniversary of the Effective Date unless earlier terminated. Upon expiry of the 2019 Equity Incentive Plan, any Award that is previously granted or issued shall remain in full force and effect as if the 2019 Equity Incentive Plan had not been amended or terminated, unless mutually agreed otherwise between the Company and the Participant in writing.

If a Participant’s status as an Eligible Individual terminates, unless otherwise specified in the Award Agreement or otherwise determined by the Administrator, if, on the date of termination, the Participant is not vested as to the Participant’s entire Award, the unvested portion of such Award shall be deemed cancelled. If, after termination, the Participant does not exercise the Participant’s Award within the time specified by the Administrator, the Award shall terminate.

(g) Restricted Shares

Restricted shares (“**Restricted Shares**”) means a Share subject to restrictions and repurchase rights granted pursuant to the 2019 Equity Incentive Plan.

i. Issuance and restrictions

Restricted Shares shall be subject to such restrictions and vesting requirements as the Administrator may impose. Restricted Shares may not be sold or encumbered until all restrictions are terminated or expire in accordance with the terms of the relevant Award Agreement.

ii. Repurchase or cancellation

If the price for the Restricted Shares was paid by the Participant in services, then, upon termination of employment or service, the Participant shall no longer have any right in the unvested Restricted Shares, and such unvested Restricted Shares shall be cancelled (and for these purposes the Participants shall be deemed to have surrendered such Restricted Shares) and thereupon either cancelled or surrendered to the Company without consideration. If a purchase price was paid by the Participant for the Restricted Shares (other than in services), then, upon the Participant's termination as an Eligible Individual, the Company shall have the right to repurchase from the Participant the unvested Restricted Shares then subject to restrictions at a cash price per Share equal to the price paid by the Participant for such Restricted Shares or such other amount as may be specified in the Award Agreement.

iii. Removal of restrictions

All share certificates relating to Restricted Shares shall be held by the Company in escrow for the Participants until all restrictions on such Restricted Shares have been removed.

(h) RSUs

Restricted Share Unit ("RSU") means the right to receive a Share, or any number or fraction thereof, at a future date granted pursuant to the 2019 Equity Incentive Plan.

i. Issuance and restrictions

The Administrator shall determine whether it will offer RSU under the 2019 Equity Incentive Plan. Until a Share is issued in settlement of any RSU by entry in the register of member of the Company, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Share.

ii. Form and timing of payment of RSUs

After the Administrator determines that it will offer RSUs under the 2019 Equity Incentive Plan, it shall advise the offeree the terms, conditions and restrictions related to such RSU. The Administrator shall also determine the times at which Shares are issuable under a RSU.

(i) Share Appreciation Rights

"Share Appreciation Rights" means a right to receive a payment equal to the excess of the fair market value of a specified number of Shares on the date the Share Appreciation Right is exercised over the base price set forth in the Award Agreement.

i. Base price

Base price shall be determined by the Administrator and set forth in the Award Agreement, which may be fixed or variable price determined by reference to the fair market value of the Shares.

ii. Payment

Payment to the Company for a Share Appreciation Right shall be in cash, in Shares (based on their fair market value as of the date the Share Appreciation Right is exercised) or a combination of both, as determined by the Administrator in the Award Agreement or, if the Award Agreement does not specifically provide, by the Administrator at the time of the exercise.

iii. Exercise

Any Share Appreciation Right granted shall be exercisable according to the terms at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. If Shares are issued upon exercise of a Share Appreciation Right, such Shares shall be issued in the name of the Participant or, if requested by the Participant and approved by the Administrator in its sole discretion, in the name of the Participant and/or in the name of one or more of the Participant's family members.

(j) Dividend Equivalents

The Administrator is authorized to grant a right to receive (in cash or other property, or, subject to the terms of the 2019 Equity Incentive Plan, a reduction in exercise price or base price of the relevant outstanding Award), dividends paid on Shares underlying an Award (or an amount equal to the dividends that would have been paid on such Shares as if such Shares had been issued and outstanding during the relevant period) ("**Dividend Equivalents**"). Participants and the date the Award with respect to which the Dividend Equivalent vests, is exercised, is distributed or expires, is determined by the Administrator.

(k) Share Payment

The Administrator is authorized to grant a payment in the form of Shares, as part of any bonus, deferred compensation or other cash compensation arrangement, made in lieu of all or any portion of such bonus, deferred compensation or other cash compensation arrangement ("**Share Payment**"), in the manner determined from time to time by the Administrator. The number of Shares issuable as a Share Payment shall be determined by the Administrator and may be based upon satisfaction of such specific criteria as determined appropriate by the Administrator, including specified dates for electing to receive such Share Payment at a later date and the date on which such Share Payment is to be made.

(l) Limits on Transfer

Unless otherwise provided in the 2019 Equity Incentive Plan, Awards, and any interest therein, will not be transferable or assignable by the Participant and may not be made subject to execution, attachment or similar process.

(m) Adjustments upon changes in capitalization and change in control

Subject to any required action by the shareholders of the Company, in the event of any increase or decrease in the number of issued Shares resulting from a subdivision or consolidation, share dividend, amalgamation, spin-off, arrangement or consolidation, combination or reclassification of shares of Company, or any event of any other increase or decrease in the number of issued Shares effected without consideration by the Company, the Board shall make such proportionate adjustments, if any, necessary to reflect such change with respect to (a) the number of Shares which have been authorized for issuance under the 2019 Equity Incentive Plan but as to which no Awards have yet been granted or which have been returned to the 2019 Equity Incentive Plan upon cancellation or expiration of an Award; (b) price per Share covered by each such outstanding Award; and (c) any other affected terms of such Awards.

Unless otherwise provided in any Award Agreement or any other written agreement entered into by and between the Company and a Participant, if a change in control (as defined therein) occurs, the Company, as determined in the sole discretion of the Administrator and without the consent of the Participant, may take a number of action including accelerating the vesting in whole or in part of any Award.

(n) Amendment and termination

The Board in its sole discretion may terminate the 2019 Equity Incentive Plan at any time. The Board may amend the 2019 Equity Incentive Plan at any time in such respects as the Board may deem advisable subject to applicable laws and rules of any applicable stock exchange.

Amendments

Under the 2019 Equity Incentive Plan, the Administrator also has the power and authority, in its discretion to grant option to the Eligible Individuals.

Further, the 2019 Equity Incentive Plan contains an “evergreen” feature which provides that if the aggregate number of Shares reserved and available for issuance pursuant to Awards that may be granted under the 2019 Equity Incentive Plan falls below 4% of the total shares of the Company outstanding on the last day of the immediately preceding calendar year (the “**Limit**”), the maximum aggregate number of Shares which may be subject to Awards shall automatically be increased so that the aggregate number of Shares reserved and available for issuance pursuant to Awards that may be granted in the future shall be equal to the Limit on January 1 thereafter (the “**Evergreen Feature**”).

The Board approved the amendments of the relevant terms of the 2019 Equity Incentive Plan on June 19, 2021 such that:

- (i) no options may be granted under the 2019 Equity Incentive Plan; and
- (ii) the Evergreen Feature is removed.

Outstanding RSUs granted

The grant of RSUs under the 2019 Equity Incentive Plan to the grantees as set out below has been approved in accordance with the terms of the 2019 Equity Incentive Plan. As of the Latest Practicable Date, the aggregate number of underlying Class A ordinary shares pursuant to the outstanding RSUs granted under the 2019 Equity Incentive Plan is 43,218,456 Class A ordinary shares (which do not include the Class A ordinary shares underlying the vested RSUs).

Assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Overallotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares, the aggregate number of the Class A ordinary shares underlying the outstanding RSUs granted under the 2019 Equity Incentive Plan (which do not include the Class A ordinary shares underlying the vested RSUs) represents 2.6% of the issued Shares immediately following the completion of the Global Offering and 0.8% of the voting rights in the Company.

Assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; (iv) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares; and (v) full issuance of Shares pursuant to all the outstanding RSUs granted under the 2019 Equity Incentive Plan, the shareholding and earnings per share of our Shareholders will be diluted by approximately 2.5%.

Assuming (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him; (iv) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares; and (v) full issuance of Shares pursuant to the maximum number of RSUs that may be granted under the 2019 Equity Incentive Plan, the shareholding and earnings per share of our Shareholders will be diluted by approximately 3.6%.

All existing RSUs under the 2019 Equity Incentive Plan were granted between January 1, 2017 and April 1, 2021. The Company will continue to grant further RSUs under the 2019 Equity Incentive Plan after the Listing, and the Company will comply with Chapter 14A and other applicable Listing Rules with respect to the granting of any restricted shares, RSUs and share-based payments after the Listing.

The table below shows the details of RSUs granted to our employees (including our senior management), other than persons who are our Directors upon Listing, under the 2019 Equity Incentive Plan that are outstanding:

Range of number of Class A ordinary shares underlying grants under 2019 Equity Incentive Plan ⁽¹⁾	Total Number of Grantees	Total Number of Class A ordinary shares underlying outstanding RSUs	Date(s) of grant	Vesting period	Exercise Price	Approximate percentage of equity interest in the Company (one share one vote basis) underlying outstanding RSUs ⁽³⁾	Approximate percentage of voting interest in the Company underlying outstanding RSUs ⁽⁴⁾
0-20,000	2,317	10,266,324	January 1, 2017 to April 1, 2021	See note (2) below	0	0.6%	0.2%
20,001-50,000	286	8,718,402	January 1, 2017 to April 1, 2021	See note (2) below	0	0.5%	0.2%
50,001 or more	130	24,233,730	January 1, 2017 to April 1, 2021	See note (2) below	0	1.4%	0.5%

Note:

- (1) Does not include the Class A ordinary shares underlying the vested RSUs.
- (2) Vesting conditions under 2019 Equity Incentive Plan:
 - (a) 25% of the RSUs shall become service-vested on each of the annual anniversary of the vesting commencement date for a period of four (4) years after the grant;
 - (b) 25% of the RSUs shall become service-vested on the first anniversary of the vesting commencement date, and the remaining 75% of RSUs shall become service-vested in equal installments on each quarterly anniversary of the vesting commencement date for a period of three (3) years thereafter; and
 - (c) nil, nil, 50% and 50% of the RSUs shall become service-vested on each of the annual anniversary of the vesting commencement date for a period of four (4) years after the grant.
- (3) Assumes (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares.
- (4) Assumes (i) the Global Offering becomes unconditional and Class A ordinary shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Class A ordinary share is issued upon the vesting of any RSU pursuant to our 2019 Equity Incentive Plan; (iv) no Class B ordinary share is converted to Class A ordinary share other than by Mr. Tao He in relation to all Class B ordinary shares beneficially owned by him and (v) all Class C ordinary shares held by Taobao China have been converted to Class A ordinary shares. The percentage takes into account the weighted voting rights of the Class B ordinary shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect to the Reserved Matters.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus, as of the Latest Practicable Date, our Group is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the class A ordinary shares in issue and to be issued as mentioned in this prospectus.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1 million for acting as the sponsors for the Listing.

4. Compliance Adviser

Our Company have appointed Guotai Junan Capital Limited as its compliance adviser in compliance with Rules 3A.19 and 8A.33 of the Listing Rules.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the promoters in connections with the Global Offering or related transactions in this prospectus.

6. Consents and Qualifications of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

The qualifications of the experts are as follows:

Name	Qualification
J.P. Morgan Securities (Far East) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO.
Merrill Lynch (Asia Pacific) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO.
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Fangda Partners	PRC legal advisers
IHS Global Inc.	Independent industry consultant
Harney Westwood & Riegels	Cayman legal advisers

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

9. Preliminary Expenses

The Company did not incur any material preliminary expenses.

10. No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no

material adverse change in our financial or trading positions or prospects since December 31, 2020, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus.

11. Other Disclaimers

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
 - (v) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities; and
 - (vi) Our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares.
- (d) Our Directors confirm that:
 - (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (ii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (e) The Company's principal register of members will be maintained by its principal share registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands. All of the Class A ordinary shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong branch share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong.
- (f) Save as disclosed in this prospectus, no company within our Group is presently listed on any stock exchange or traded on any trading system.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** Application Form;
- (b) a copy of each of the material contract(s) referred to in the section headed “B. Further Information about our Business – 1. Summary of Material Contract(s)” in Appendix IV of this prospectus; and
- (c) the written consents issued by each of the experts and referred to in the section headed “E. Other Information – 6. Consents and Qualifications of Experts” in Appendix IV of this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sullivan & Cromwell (Hong Kong) LLP at 20/F Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the letters of appointment referred to in the section headed “C. Further Information about our Directors and Substantial Shareholders – 1. Particulars of Letters of Appointment” in Appendix IV to this prospectus;
- (c) the material contract(s) referred to in the section headed “B. Further Information about our Business – 1. Summary of Material Contract(s)” in Appendix IV to this prospectus;
- (d) the written consents issued by each of the experts and referred to in the section headed “E. Other Information – 6. Consents and Qualifications of Experts” in Appendix IV to this prospectus;
- (e) the market research report issued by IHS Global Inc., a summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (f) the legal opinion issued by Fangda Partners, our legal adviser on PRC law, in respect of certain aspects of our Group in the PRC;
- (g) the letter of advice prepared by Harney Westwood & Riegels, our legal adviser on Cayman Islands law, summarizing the constitution of the Company and certain aspects of the Cayman Companies Act referred to in Appendix III to this prospectus;
- (h) the Cayman Companies Act;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR INSPECTION**

- (i) the Accountant's Report from PricewaterhouseCoopers, the text of which is set forth in Appendix I to this prospectus;
- (j) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (k) the audited consolidated financial statements of our Group for the years ended December 31, 2018, 2019 and 2020; and
- (l) the 2019 Equity Incentive Plan.

