

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

**FORM 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2021
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-39466

**XPeng Inc.**

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 8 Songgang Road, Changxing Street

Cencun, Tianhe District, Guangzhou

Guangdong 510640

People's Republic of China

(Address of principal executive offices)

Hongdi Brian Gu, Vice Chairman and President

Telephone: +86-20-6680-6680

Email: ir@xiaopeng.com

At the address of the Company set forth above

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
American Depositary Shares, each representing two Class A ordinary shares	XPEV	New York Stock Exchange
Class A ordinary shares, par value US\$0.00001 per share*		New York Stock Exchange

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares.

Securities registered or to be registered pursuant to Section 12(g)

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

None

(Title of Class)

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

1,301,319,044 Class A ordinary shares were outstanding as of December 31, 2021  
409,846,136 Class B ordinary shares were outstanding as of December 31, 2021

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

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

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

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

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

U.S. GAAP	<input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board	<input type="checkbox"/>	Other	<input type="checkbox"/>
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If “Other” has been checked in response to the previous question, indicate by check mark which consolidated financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).  Yes  No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

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## CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Except where the context otherwise requires, references in this annual report to:

- “ADAS” are to advanced driver assistance systems, which are designed to assist drivers in driving and parking functions;
- “ADSs” are to American depositary shares, each of which represents two Class A ordinary shares;
- “affiliate shareholders of the Group VIEs” are to (i) the individual shareholders of the Group VIEs and (ii) Guangzhou Kuntu Technology Co., Ltd., or Kuntu Technology, which holds all of equity interest in Xintu Technology; Mr. Heng Xia and Mr. Tao He are the ultimate beneficial owners of equity interest in Kuntu Technology; for avoidance of doubt, affiliate shareholders of the Group VIEs do not include Guangzhou Xiaopeng Motors Technology Co., Ltd., or Xiaopeng Technology, which is our subsidiary and holds 50% of equity interest in Zhipeng IoV, or Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd., or Xiaopeng Chuxing, which is our subsidiary and holds 50% of equity interest in Yidian Chuxing;
- “AI” are to artificial intelligence;
- “app” are to computer program designed to run on smartphones and other mobile services;
- “China” and the “PRC” are to the People’s Republic of China, excluding, for the purposes of this annual report only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- “E/E architecture” or “EEA” are to electrical/electronic architecture;
- “EV” or “electric vehicle” are to the battery electric vehicle used for the carriage of passengers;
- “the Group” are to XPeng Inc., the Group VIEs and their respective subsidiaries;
- “Group VIEs” are to (i) Guangzhou Zhipeng IoV Technology Co., Ltd., or Zhipeng IoV, and (ii) Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., or Yidian Chuxing, and (iii) Guangzhou Xintu Technology Co., Ltd, or Xintu Technology;
- “ICE” are to internal combustion engine;
- “individual shareholders of the Group VIEs” are to (i) Mr. Heng Xia, who holds 40% of equity interest in Zhipeng IoV and 10% of equity interest in Yidian Chuxing, (ii) Mr. Tao He, who holds 10% of equity interest in Zhipeng IoV, and (iii) Mr. Xiaopeng He, who holds 40% of equity interest in Yidian Chuxing;
- “LFP battery” are to lithium iron phosphate battery;
- “LIDAR” are to 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 RMB400,000, not including any government subsidy;
- “MIIT” are to the Ministry of Industry and Information Technology of the People’s Republic of China;

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- “NEDC” are to New European Driving Cycle, which is designed to assess the emission levels of car engines and fuel economy in passenger vehicles;
- “NEV” are to new energy passenger vehicles, comprising of battery electrics vehicles, plug-in hybrid electric vehicles (including extended-range electric vehicles) and fuel cell electric vehicles;
- “OEM” are to automotive original equipment manufacturer;
- “ordinary shares” are to our Class A ordinary shares, US\$0.00001 par value per share and Class B ordinary shares, US\$0.00001 par value per share; each Class A ordinary share is entitled to one vote; and each Class B ordinary share is entitled to 10 votes;
- “OTA” are to over-the-air;
- “RMB” or “Renminbi” are to the legal currency of China;
- “Smart EV” are to electric vehicles with a rich array of connectivity, advanced driver assistance systems and AI technology features;
- “Subsidiaries” are to an entity controlled by XPeng Inc. and consolidated with XPeng Inc.’s results of operations due to XPeng Inc.’s equity interest in such entity, instead of contractual arrangements; for avoidance of doubt, the Group VIEs are not subsidiaries of XPeng Inc.;
- “SUV” are to sport utility vehicle;
- “US\$,” “U.S. dollars,” or “dollars” are to the legal currency of the United States;
- “XPeng,” “we,” “us,” “our company” and “our” are to XPeng Inc. and/or its subsidiaries, as the context requires; and
- “2019 Equity Incentive Plan” are to the equity incentive plan of our company approved and adopted in June 2020, as amended and restated in June 2021.

### **FORWARD-LOOKING INFORMATION**

This annual report on Form 20-F contains statements of a forward-looking nature. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- our goal and strategies;

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- our expansion plans;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, costs or expenditures;
- the trends in, and size of, China’s EV market;
- our expectations regarding demand for, and market acceptance of, our products and services;
- our expectations regarding our relationships with customers, suppliers, third-party service providers, strategic partners and other stakeholders;
- competition for, among other things, capital, technology and skilled personnel, in our industry;
- the impact of COVID-19 pandemic on our business, results of operations and financial condition;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- general economic and business conditions.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

You should read these statements in conjunction with the risks disclosed in “Item 3. Key Information—D. Risk Factors” of this annual report and other risks outlined in our other filings with the Securities and Exchange Commission, or the SEC. Moreover, we operate in an emerging and evolving environment. New risks may emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we have referred to in this annual report, completely and with the understanding that our actual future results may be materially different from what we expect.

### **PART I.**

#### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

#### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

### ITEM 3. KEY INFORMATION

#### Contractual Arrangements with the Group VIEs and Their Shareholders

XPeng Inc. is a Cayman Islands holding company, and the Group's operations are primarily conducted by its subsidiaries in China and through contractual arrangements with the Group VIEs. Investors in our ADSs and Class A ordinary shares do not hold equity interest in the Group's operating entities in China, but instead hold equity interest in XPeng Inc. As used in this annual report, "XPeng," "we," "us," "our company" or "our" refers to XPeng Inc. and/or its subsidiaries, and "the Group" refers to XPeng Inc., the Group VIEs and their respective subsidiaries.

Under the PRC laws and regulations, the provision of value-added telecommunication service in the PRC is subject to foreign investment restrictions and license requirements. Therefore, we operate such business in China through Zhipeng IoV and Yidian Chuxing. Under the PRC laws and regulations, the operation of land surface mobile surveying and preparation of true three-dimensional maps and navigation electronic maps is subject to foreign investment prohibitions and license requirements. Therefore, we operated such business in China through Xintu Technology and its subsidiary, which is Jiangsu Zhipeng Kongjian Information Technology Co., Ltd., or Zhipeng Kongjian (formerly known as Jiangsu Zhitu Technology Co., Ltd.).

Currently, the Group VIEs are (i) Guangzhou Zhipeng IoV Technology Co., Ltd., or 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; (ii) Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., or Yidian Chuxing, which is primarily engaged in the business of provision of online-hailing services through online platform including the Youpeng Chuxing App; and (iii) Guangzhou Xintu Technology Co., Ltd., or Xintu Technology. Zhipeng Kongjian, which is Xintu Technology's wholly-owned subsidiary, primarily engaged in the operation of land surface mobile surveying and preparation of true three-dimensional maps and navigation electronic maps and is in the process of renewing the Surveying and Mapping Qualification Certificate. Zhipeng IoV and Yidian Chuxing enables the Group to operate mobile apps, which is important to our ability to offer a convenient customer experience. After the Surveying and Mapping Qualification Certificate is renewed, we plan to develop mapping and navigation solutions that will improve customers' driving experience.

We have entered into a series of contractual arrangements with each of the Group VIEs and the respective affiliate shareholders of the Group VIEs, including (i) power of attorney agreements, equity interest pledge agreements and loan agreements, which provide us with effective control over the Group VIEs; (ii) exclusive service agreements, which allow us to receive substantially all of the economic benefits from the Group VIEs; and (iii) exclusive option agreements, which provide us with exclusive options to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into the Group VIEs when and to the extent permitted by PRC law. As a result of these contractual arrangements, we are the primary beneficiary of the Group VIEs for accounting purposes. We have consolidated their financial results in our consolidated financial statements. However, we do not own a majority equity interest in Zhipeng IoV or Yidian Chuxing, and we do not own any equity interest in Xintu Technology. We primarily operate our business through our subsidiaries in China, and the Group VIEs do not have a material contribution to the Group's results of operations and the Group VIEs do not support material revenues reported within other subsidiaries of our company.

The contractual arrangements with the Group VIEs and the respective affiliate shareholders of the Group VIEs may not be as effective as direct ownership in providing us with control over the Group VIEs. If any of the Group VIEs or the respective affiliate shareholders of the Group VIEs fails to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. Furthermore, 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. If the PRC government deems that the contractual arrangements in relation to the Group 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, our Class A ordinary shares and ADSs may decline in value if we are unable to assert our contractual control rights over the assets of the Group VIEs. See “Item 3. Key Information —D. Risk Factors—Risks Relating to Our Corporate Structure.”

### **Operations in China**

The Group faces various legal and operational risks and uncertainties associated with being based in and having its operations primarily in China and the country’s complex and evolving laws and regulations. For example, the Group faces risks associated with regulatory approvals on offerings conducted overseas by and foreign investment in China-based issuers, the use of the Group VIEs, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, which may impact the Group’s ability to conduct certain businesses, accept foreign investments, or list on a U.S. or other foreign exchange outside of China. In addition, the Chinese government may intervene or influence the Group’s operations at any time. These risks could result in a material adverse change in the Group’s operations and the value of our ADSs and Class A ordinary shares, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause the value of such securities to significantly decline. See “Item 3. Key Information —D. Risks Factors—Risks Relating to Doing Business in China.”

Furthermore, the Holding Foreign Companies Accountable Act, or the HFCA Act, may affect our ability to maintain our listing on the NYSE. Among other things, the HFCA Act provides if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our securities from being traded on a national securities exchange or in the over the counter trading market in the U.S. In the event of such determination by the SEC, the NYSE would delist our ADSs. As stated in its report dated December 16, 2021, the U.S. Public Company Accounting Oversight Board, or the PCAOB, has determined that it is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor as an independent registered public accounting firm. See “Item 3. Key Information —D. Risks Factors—Risks Relating to Doing Business in China—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.”



### ***PRC Permissions and Approvals***

We have obtained all requisite permissions and approvals that are material to the Group's operations in China as of the date hereof, including Zhaoqing Xiaopeng New Energy Investment Co., Ltd., or Xiaopeng New Energy, and our Smart EVs (the G3, the G3i, the P7, the P7 Wing and the P5) being listed in Announcement of the Vehicle Manufacturers and Products issued by the Ministry of Industry and Information Technology of PRC, or the MIIT, which is the entry approval for Xiaopeng New Energy to become a qualified manufacturer of EVs and Smart EVs and for the manufacturing and sales of our Smart EVs (the G3, the G3i, the P7, the P7 Wing and the P5). 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 assure you that we have obtained or will be able to obtain and maintain all requisite licenses, permits, filings and registrations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Certain of our operating subsidiaries may be required to obtain additional licenses or permits or make additional filings or registrations."

Under the PRC laws, rules and regulations currently in effect, no prior permission or approval from PRC government authority is required for issuing our ADSs to foreign investors. However, there remain substantial uncertainties as to how the relevant PRC laws, rules and regulations will be interpreted or implemented, and we cannot assure you that the relevant PRC government authorities will reach the same conclusion. Furthermore, laws, rules and regulations in China may change frequently. We cannot rule out the possibility that relevant PRC governmental authorities may subsequently determine our initial public offering in the U.S., follow-on public offering completed in December 2020, our listing on the Hong Kong Stock Exchange and the associated public offering in July 2021 or any debt financing activities should be subject to any approval, filing or other regulatory procedures, and we cannot assure you that we can obtain the required approval or accomplish the required filing or other regulatory procedures in a timely manner, or at all. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Actual or alleged failure to comply with laws, regulations, rules, policies and other obligations regarding privacy, data protection, cybersecurity and information security could subject us to significant reputational, financial, legal and operational consequences," "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. In addition, rules and regulations in China can change quickly with little advance notice" and "Item 3. Key Information—D. Risks Factors—Risks Relating to Our Corporate Structure—Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations."

### **Restrictions on Transfer of Funds**

Our ability to pay dividends, if any, to the shareholders and ADSs investors and to service any debt we may incur will depend upon dividends paid by our PRC subsidiaries. Under PRC laws and regulations, our PRC subsidiaries are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets offshore to us. In particular, 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.

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Furthermore, we are subject to restrictions on currency exchange. 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.

If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to us.

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 ordinary 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. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.”

For certain Cayman Islands, PRC, Hong Kong and United States federal income tax considerations of an investment in the ADSs and Class A ordinary shares, see “Item 10. Additional Information—E. Taxation.”

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**B. Capitalization and Indebtedness**

Not Applicable.

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

Not Applicable.

## **D. Risk Factors**

### **Summary of Risk Factors**

Investing in our ADSs and Class A ordinary shares involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our ADSs and Class A ordinary shares. Below please find a summary of the principal risks we face, organized under relevant headings.

#### ***Risks Relating to Our Business and Industry***

- 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 ADAS technologies.
- Our customers may cancel their orders despite their deposit payment and online confirmation.
- China's passenger vehicle market is highly competitive, and demand for EVs may be cyclical and volatile.
- We have incurred significant losses and negative cash flows from operating activities, all of which may continue in the future.
- The continuing shortage in the supply of semiconductors may be disruptive to the Group's operations and adversely affect our business, results of operations and financial condition.
- 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 the Group's 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 the Group's operations or our ability to pay dividends.
- 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.

- The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.
- We depend on revenues generated from a limited number of Smart EV models.
- Actual or alleged failure to comply with laws, regulations, rules, policies and other obligations regarding privacy, data protection, cybersecurity and information security could subject us to significant reputational, financial, legal and operational consequences. For instance, any misuse of AI technology, such as facial recognition technology, may have a material adverse effect on our reputation 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. The Chinese government may intervene or influence the Group's operations at any time, and may exert more control over offerings conducted overseas and foreign investment in China-based issuers, which could result in a material change in the Group's operations and the value of our Class A ordinary shares and ADSs. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer our Class A ordinary shares and ADSs to investors and cause the value of such securities to significantly decline or be worthless.
- For instance, on December 24, 2021, the China Securities Regulatory Commission, or the CSRC, released draft new rules, which are open for public comments until January 23, 2022, that would impose filing requirements on certain "indirect overseas offering and listing" of PRC domestic companies. While, as of the date of this annual report, we have not been informed by any PRC governmental authority of any requirement that we shall apply for approval or filing for our initial public offering in the U.S. in August 2020, our follow-on public offering completed in December 2020 or our listing on the Hong Kong Stock Exchange and the associated public offering in July 2021, if the CSRC or other relevant PRC government authorities subsequently determine that prior approval or filings procedure is required for our initial public offering in the U.S. in August 2020, our follow-on public offering completed in December 2020 or our listing on the Hong Kong Stock Exchange and the associated public offering in July 2021, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. Any failure to obtain the relevant approval or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities, which may have a material adverse effect on our business, operations or financial conditions.
- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. In addition, rules and regulations in China can change quickly with little advance notice.

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- The audit report included in this annual report 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.
- 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. Among other things, the HFCA Act provides if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our securities from being traded on a national securities exchange or in the over the counter trading market in the U.S. In the event of such determination by the SEC, the NYSE would delist our ADSs. As stated in its report dated December 16, 2021, the PCAOB has determined that it is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, including our auditor as an independent registered public accounting firm.
- 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.
- 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.

### ***Risks Relating to Our Corporate Structure***

- Revenue contributions from the Group VIEs have not been material. Nonetheless, if the PRC government deems that the contractual arrangements in relation to the Group 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, our Class A ordinary shares and ADSs may decline in value if we are unable to assert our contractual control rights over the assets of the Group VIEs.
- Our contractual arrangements with the Group VIEs may result in adverse tax consequences to us.
- We rely in part on contractual arrangements with Zhipeng IoV, Yidian Chuxing and the respective affiliate shareholders of such Group VIEs to operate the value-added telecommunications business. We rely on contractual arrangements with Xintu Technology and its affiliate shareholder, which enabled us to operate land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. Such contractual arrangements may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.
- If we exercise the option to acquire equity ownership of the Group VIEs, the ownership transfer may subject us to certain limitations and substantial costs.
- The affiliate shareholders of the Group VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition. 50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia, our co-founder, executive director and president, and Mr. Tao He, our co-founder and senior vice president, hold 40% and 10% of equity interest in Zhipeng IoV, respectively. 50% of equity interest in Yidian Chuxing is held by us, and Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, and Mr. Heng Xia hold 40% and 10% of equity interest in Yidian Chuxing, respectively. Kuntu Technology currently holds all of the equity interest in Xintu Technology.

## 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 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, a compact SUV, 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, a sports sedan, at the Zhaoqing plant in May 2020. We unveiled the P5, our third Smart EV and a family sedan, in April 2021, and started delivery in September 2021. Furthermore, we introduced the G3i, which is the mid-cycle facelift version of the G3, in July 2021, and started delivery in August 2021. In November 2021, we unveiled the G9, which is our fourth Smart EV and a flagship SUV.

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 ADAS, intelligent operating system, electric powertrain and E/E architecture;
- successfully market our Smart EVs and our services, including our ADAS 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 the Group's 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 RMB2,321.2 million in 2019 to RMB5,844.3 million in 2020, and further to RMB20,988.1 million in 2021, and the number of Smart EVs delivered by us increased from 12,728 units in 2019 to 27,041 units in 2020 and 98,155 units in 2021. 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 ADAS, intelligent operating system, powertrain and E/E architecture. We have been investing heavily on our research and development efforts. In 2019, 2020 and 2021, our research and development expenses amounted to RMB2,070.2 million, RMB1,725.9 million, and RMB4,114.3 million, respectively. Our research and development expenses accounted for 89.2%, 29.5% and 19.6% of our total revenues for 2019, 2020 and 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 ADAS 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 ADAS 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 have commenced delivering our third Smart EV model, the P5, in September 2021, and the new model features 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 middle-class consumers. Our Smart EVs offer smart technology functions, including ADAS 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 ADAS 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.

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 ADAS technologies.***

Through XPILOT we have greatly enhanced the ADAS capabilities of our Smart EVs. Capitalizing on our in-house research and development capabilities, we have continued to upgrade our ADAS technologies. We rolled out XPILOT 3.0 through an OTA firmware update in January 2021, and we plan to roll out XPILOT 3.5 this year and XPILOT 4.0 further down the road. ADAS 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, ADAS technology is still evolving and is yet to achieve wide market acceptance. The safety of ADAS technologies depends in part on driver interaction, and drivers may not be accustomed to using such technologies. To the extent accidents associated with our ADAS systems occur, we could be subject to liability, government scrutiny and further regulation. Furthermore, accidents or defects caused by third parties' ADAS technology may negatively affect public perception, or result in regulatory restrictions, with respect to ADAS technology.

Our ADAS technologies may be affected by regulatory restrictions. For example, our research and development activities on ADAS are subject to regulatory restrictions on surveying and mapping, as well as driverless road testing. Any tightening of regulatory restrictions could have a material adverse impact on our development of ADAS 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 our Smart EVs, a significant number of orders may be canceled. As a result, we cannot assure you that orders will not be canceled and will ultimately result in the final purchase, delivery, and sale of the 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.

***We have incurred significant losses and negative cash flows from operating activities, all of which may continue in the future.***

We 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 RMB3,691.7 million, RMB2,732.0 million and RMB4,863.1 million for 2019, 2020 and 2021, respectively. Net cash used in operating activities was RMB3,562.8 million, RMB139.8 million and RMB1,094.6 million for 2019, 2020 and 2021, respectively. We have made significant up-front 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, supply chain disruption, 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 the Group's operations, we may continue to experience losses and negative cash flows from operating activities in the future.

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.

***The continuing shortage in the supply of semiconductors may be disruptive to the Group's 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 the Group's operations, there is no assurance that we will be able to continue to obtain sufficient number of semiconductor-contained components at reasonable cost for the Group's 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.

***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 the Group's 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 the Group's 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 to finance a portion of our capital needs. 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 the Group's 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 the Group's 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, in January 2022, the Ministry of Finance of the PRC, together with several other PRC government departments, issued the Notice on the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles for 2022, or the 2022 Subsidy Notice. The 2022 Subsidy Notice provides that the subsidies for new energy vehicle purchases in 2022 will be generally lowered by 30%, and such subsidies will be eliminated at the end of 2022. The reduction and elimination of such subsidies could adversely affect our gross margin. Furthermore, we have received subsidies from certain local governments in relation to our Smart EV manufacturing bases. 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 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. Furthermore, according to the latest revised Special Administrative Measures for Market Access of Foreign Investment as promulgated on December 27, 2021, or the 2021 Foreign Investment Negative List, which replaced the 2020 version and took effect from January 1, 2022, there is no foreign investment restrictions on the industry of vehicle manufacturing. 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 COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.***

Since January 2020, a strain of coronavirus (including variants thereof), 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 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 the Group's operations.

The Group has experienced certain disruptions in its 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 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 units, 161 units 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. The pandemic has affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers have been unable to deliver sufficient components to us due to the COVID-19 pandemic. We cannot assure you that the 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. Their ability to maintain normal manufacturing operations will depend on the status of various government regulations and the readiness of such suppliers and their 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.

Since March 2022, major outbreaks of the Omicron variant of COVID-19 have occurred in many parts of China. These outbreaks have resulted in lockdowns, highway closures and other restrictive measures across China, which have severely disrupted the operations of many businesses. If the Omicron outbreaks continue or worsen, we may experience significant disruptions in key aspects of our operations, such as procurement, manufacturing, sales and vehicle delivery. As a result, the Group's business, results of operations and financial condition would be materially and adversely affected.

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 the full impacts of these conditions would have on our business, which will depend on, among other factors, the ultimate geographic spread of the virus (including variants thereof), 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, a compact SUV, 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. Furthermore, we introduced the G3i, which is the mid-cycle facelift version of the G3, in July 2021, and started delivery in August 2021. We have commenced delivering our third Smart EV model, the P5, a family sedan, in September 2021. In November 2021, we unveiled the G9, our fourth Smart EV. 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 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.

***Actual or alleged failure to comply with laws, regulations, rules, policies and other obligations regarding privacy, data protection, cybersecurity and information security could subject us to significant reputational, financial, legal and operational consequences.***

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 the ADAS, infotainment system, as well as data collected through our sales and services channels. To the extent we collect customer information, we obtain such data in accordance with applicable laws and regulations. We anonymize personal 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.

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. If users allege that we have improperly collected, used, transmitted, released or disclosed their personal information, we could face legal claims and reputational damage. We may incur significant expenses to comply with privacy, consumer protection and security standards and protocols imposed by laws, regulations, industry standards or contractual obligations. If third parties improperly obtain and use the personal information of our users, we may be required to expend significant resources to resolve these problems.

We are subject to various laws and regulations on privacy, data protection, cybersecurity and information security in China and other jurisdictions. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Internet Security and Privacy Protection” for further details. 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 cybersecurity and information security, personal information or privacy-related matters in connection with our methods for data collection, analysis, storage and use.

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As of the date of this annual report, we have not been informed by any PRC governmental authority of any requirement that we shall apply for approval or filings for our initial public offering in the U.S. in August 2020, our follow-on public offering completed in December 2020 or our listing on the Hong Kong Stock Exchange and the associated public offering in July 2021. However, we are not certain whether the Revised Cybersecurity Review Measures or any relevant future laws, rules or regulations will apply to our company and follow-on offerings of foreign listed companies, or whether the scope of financing activities that are subject to the cybersecurity review may change in the future. Further, we may become subject to enhanced cybersecurity review, or regulatory bodies in China may retroactively apply and implement the Revised Cybersecurity Review Measures or other new laws, rules or regulations, including conducting a cybersecurity review over our company in connection with our initial public offering in the U.S. or follow-on public offering.

Given that the relevant laws, regulations and policies were recently promulgated or issued, their interpretation, application and enforcement are subject to substantial uncertainties. We have incurred, and will continue to incur, significant expenses in an effort to comply with privacy, data protection, cybersecurity and information security related laws, regulations, standards and protocols, especially as a result of such newly promulgated laws and regulations. Despite our efforts to comply with applicable laws, regulations and policies relating to privacy, data protection, cybersecurity and information security, we cannot assure you that our practices, offerings, services or platform will meet all of the requirements imposed on us by such laws, regulations or policies. Any failure or perceived failure to comply with applicable laws, regulations or policies may result in inquiries or other proceedings being instituted against, or other lawsuits, decisions or sanctions being imposed on us by governmental authorities, users, consumers or other parties, including but not limited to warnings, fines, directions for rectifications, suspension of the related business and termination of our applications, as well as in negative publicity on us and damage to our reputation, any of which could have a material adverse effect on our business, results of operations, financial condition and prospects. The above mentioned newly promulgated laws, regulations and policies or relevant drafts may result in the publication of new laws, regulations and policies to which we or our vehicles may be subject, though the timing, scope and applicability of such laws or regulations are currently unclear. Any such laws, regulations or policies could negatively impact our business, results of operations and financial condition. We may be notified for cybersecurity review by the CAC if we were regarded as a critical information infrastructure operator, or if our data processing activities and overseas listing or follow-on financing activities were regarded as having impact or potential impact to national security, and be required to make significant changes to our business practices, or even be prohibited from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Such review could also result in negative publicity with respect to us and diversion of our managerial and financial resource. There can be no assurance that we would be able to complete the applicable cybersecurity review procedures in a timely manner, or at all, if we are required to follow such procedures.

Any misuse of AI technology, such as facial recognition technology, may have a material adverse effect on our reputation and results of operations. We historically engaged a third-party service provider to analyze the background of visitors of certain of our stores in Shanghai through facial recognition technology. Due to the lack of visitor consent and other requisite procedures, such practice was found to be in violation of the PRC Customer Rights Protection Law by the local administration for market regulation, and we were subject to an immaterial amount of fine. We have terminated our collaboration with the third-party service provider, and the relevant visitor data has been deleted. While we have enhanced our compliance measures since this incident, we cannot assure you that we will always be deemed to be in compliance with data privacy laws and regulations by the relevant authorities.



In addition, 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 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.

***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.

***Any problems or delays in maintaining operations and expanding capacity 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. We manufacture the G3i, the new mid-cycle facelift version of the G3, the P7 and the P5 at the plant in Zhaoqing. Our future operation and prospects depend on our ability to successfully maintain the operation, and expand the capacity, of the Zhaoqing plant. In addition, we need to effectively control cost of production at the Zhaoqing plant. We have limited 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.

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 research and development center in the Wuhan Economic & Technological Development Zone, or the Wuhan Base.

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.

We carried out a technology upgrade at the Zhaoqing plant, taking advantage of the scheduled production downtime over the Chinese New Year Holiday from the end of January to early February 2022. The upgrade has enabled accelerated delivery of the significant order backlog carried over from 2021, as well as allowing us to better serve the increasing demand in 2022. On the other hand, we experienced short-term impacts on our production volume and deliveries during the project.

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 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 ADAS, 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 the Group’s 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, 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, millimeter-wave radar, or mmWave radar, 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, which would in turn result in an increase in the cost of lithium battery cells;
- 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.

We have experienced supply shortages in mmWave radar, which has affected deliveries of the P5. In response to the supply shortages, we offered customers with the option to receive the P5 without mmWave radar first. Customers who accepted such option were offered with our ADAS software for free. Alternatively, customers can also wait for deliveries of the P5 with mmWave radar installed. If the supply shortages in mmWave radar persist, our business, results of operations and financial condition could be materially and adversely affected.

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 unveiled our third Smart EV, the P5, in April 2021, and started delivery in September 2021. Furthermore, we introduced the G3i, which is the mid-cycle facelift version of the G3, in July 2021, and started delivery in August 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 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 date of this annual report, we have not received any material product liability claims in relation to these recalled G3s.

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 expense 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 December 31, 2021, our physical sales and service network consisted of 357 stores as well as 117 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 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, auto financing 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 prospects.

***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. 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 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 ADAS 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 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 auto financing 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 auto financing to our customers through a wholly-owned subsidiary. Such auto financing program is treated as an installment payment program for accounting purposes and the Group records the relevant installment payment receivables on its balance sheets. As of December 31, 2021, the Group had installment payment receivables of RMB2,750.7 million. As we continue to grow our business, we may increase the amount of auto financing we offer. We may not be able to obtain adequate funding for our auto financing program. We may also fail to effectively manage the credit risks related to our auto financing program, which would materially and adversely affect our business, results of operations and financial condition. In 2019, 2020 and 2021, the amount of write-down of installment payment receivables was RMB0.8 million, RMB3.5 million and RMB50.0 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 auto financing 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.

***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.

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 the Group's 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 ADAS 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 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.

Sales staff at our stores, including both our employees and franchisees’ employees, may fail to strictly adhere to our pricing and sales policies. Such non-compliance of internal policies may result in confusion and dissatisfaction among our customers. As a result, we have been subject to, and may continue to be subject to, customer complaints, negative publicity and government investigation. Any adverse finding in government investigation may lead to fines, forfeitures of government subsidies or other penalties, which could have a material and adverse impact on our reputation, business and results of operation.

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.

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, P7, G3i and P5 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.

***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. 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 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.

***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
- 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, which are two of the Group VIEs, 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. In addition, Zhipeng Kongjian, a subsidiary of one of the Group VIEs, is in the process of renewing the Surveying and Mapping Qualification Certificate for the operation of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. If we are not able to comply with all applicable legal requirements or obtain or renew necessary licenses and permits in a timely manner, 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.

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 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 annual report, 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.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.***

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 effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ended 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, beginning at the same time, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

As of December 31, 2021, our management has concluded that our internal control over financial reporting is effective. See “Item 15. Controls and Procedures — Management’s Annual Report on Internal Control over Financial Reporting.” Our independent registered public accounting firm has issued a report, which has concluded that we maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021.

However, our internal control over financial reporting may 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, 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 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 ADSs and/or Class A ordinary shares 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. 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 December 31, 2021, we had warranty reserves in respect of our Smart EVs of RMB371.1 million. 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.

***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;
  - 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 imposition and application of sanction blocking statutes by the Chinese government, including 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 included in this annual report 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 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 have begun accepting customer orders for our Smart EVs from Norway through a local dealer and commenced delivery. 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 restricted share units, or RSUs to replace the options granted to certain employees of Chengxing Zhidong and its subsidiaries. As of March 31, 2022, RSUs which represent 45,200,060 underlying Class A ordinary shares were outstanding (which do not include the Class A ordinary shares underlying the vested RSUs), and 10,100,170 shares underlying such RSUs were held by XPeng Fortune Holdings Limited, or XPeng Fortune, which has been 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) granted prior to our initial public offering in the U.S. was contingent upon the completion of an initial public offering or change in control, we started to recognize share-based compensation expense after the completion of our initial public offering in the U.S. in August 2020. The Group recognized RMB996.4 million and RMB379.9 million of share-based compensation expenses in 2020 and 2021, respectively. Moreover, as we expect to grant additional RSUs or other share incentives to our employees, directors or consultants in the future, we will incur additional share-based compensation expense and our results of operations could be 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 are subject to various laws relating to export controls.***

A substantial part of our research and development on ADAS 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 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 RMB109.5 million, RMB92.6 million and RMB162.4 million in 2019, 2020 and 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 the Group's operations.***

The Group's intangible assets primarily consist of manufacturing license, license plate, software and license of maintenance and overhaul. In addition, the Group also holds certain licenses through contractual arrangements with the Group VIEs. Such contractual arrangements may not be as effective as direct ownership in providing us with control over the Group VIEs. See "—Risks Relating to Our Corporate Structure—We rely in part on contractual arrangements with Zhipeng IoV, Yidian Chuxing and the respective affiliate shareholders of such Group VIEs to operate the value-added telecommunications business. We rely on contractual arrangements with Xintu Technology and its affiliate shareholder, which enabled us to operate land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. Such contractual arrangements may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business." The Group's intangible assets amounted to RMB117.9 million, RMB607.8 million and RMB878.7 million as of December 31, 2019, 2020 and 2021, respectively. The Group tests 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 the Group's intangible assets could have a material adverse effect on the Group's business, financial condition and results of operations.

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

We have 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-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.***

We have benefited from government grants and preferential tax treatments, many of which are non-recurring in nature or are subject to periodic review. 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 battery charging within certain limits. Our deferred revenue balance was RMB85.5 million, RMB308.4 million and RMB897.3 million as of December 31, 2019, 2020 and 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.***

We recorded total shareholders' deficit of RMB6,830.4 million as of December 31, 2019, primarily due to the accounting treatment for our company's preferred shares before our initial public offering in the U.S. 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, 2021, we did not have any mezzanine equity and recorded total shareholders' equity of RMB42,146.6 million.

Although the total shareholders' deficit recorded during 2019 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 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, especially those relating to climate change. 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 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.***

The Group's 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. The PRC government may intervene or influence the Group's operations at any time, which could result in a material change in the Group's operations and/or the value of our ADSs and Class A ordinary shares. In particular, there have been recent statements by the PRC government indicating an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such regulatory oversight or control could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline or become worthless. 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. In addition, rules and regulations in China can change quickly with little advance notice.***

The Group's 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 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. For example, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which were available to the public on July 6, 2021 and emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified. Furthermore, on December 24, 2021, the China Securities Regulatory Commission, or the CSRC, released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), both of which were open for public comments till January 23, 2022. Under these draft new rules, a filing-based regulatory system will be applied to both "direct overseas offering and listing" and "indirect overseas offering and listing" of PRC domestic companies. The "indirect overseas offering and listing" of PRC domestic companies refers to such securities offering and listing in an overseas market made in the name of an offshore entity, but based on the underlying equity, assets, earnings or other similar rights of a domestic company which operates its main business domestically. It is still uncertain when the final versions of these new provisions and measures will be issued and take effect, how they will be enacted, interpreted or implemented, and whether they will affect us. If it is determined that any approval, filing or other administrative procedure from the CSRC or other PRC governmental authorities is required for our future follow-on public offering or debt financing activities, we cannot assure that we can obtain the required approval or accomplish the required filings or other regulatory procedures in a timely manner, or at all. If we fail to obtain the relevant approval or complete the filings and other relevant regulatory procedures, we may face sanctions by the CSRC or other PRC governmental authorities, which may include fines and penalties on our operations in China, limitations on our operating privileges in China, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, or other actions that could have a material and adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our Class A ordinary shares or ADSs. In addition, if the CSRC or other PRC governmental authorities later promulgate new rules or explanations requiring that we obtain their approvals or complete the filings and other relevant regulatory procedures for our future follow-on public offering or debt financing activities, we may be unable to obtain a waiver of such requirements.

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 the Group's 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 included in this annual report 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 auditors 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 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 the Group's 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 governmental ownership and control of such issuers in their SEC filings. Furthermore, pursuant to the HFCA Act, if the SEC determines that we are a covered issuer for three consecutive years beginning in 2021, the SEC shall prohibit our ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

The SEC and the PCAOB have adopted new rules to implement the HFCA Act. Specifically, on November 5, 2021, the SEC announced the approval of the PCAOB's new rule related to the PCAOB's responsibilities under the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC announced the adoption of final amendments to implement the submission and disclosure requirement of the HFCA Act following its interim final amendments announced in March 2021. The adopting release establishes the SEC's procedures for identifying covered issuers and for prohibiting the trading of covered issuers' securities. The SEC will identify covered issuers as early as possible after companies file their annual reports for fiscal years beginning after December 18, 2020 and on a rolling basis. Furthermore, pursuant to the HFCA Act, the PCAOB issued a report on December 16, 2021 notifying the SEC of its determination that it is unable to inspect or investigate completely accounting firms headquartered in mainland China or Hong Kong, including our auditor as an independent registered public accounting firm. In March 2022, the SEC issued its first "conclusive list of issuers identified under the HFCAA" indicating that those companies are now formally subject to the delisting provisions if they remain on the list for three consecutive years, and the SEC has subsequently updated such list. We anticipate being added to the list shortly after the filing of this annual report on Form 20-F. 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, once we have a "non-inspection" year, we will be able to take remedial measures in a timely manner.



The U.S. regulatory regime in this area may continue to develop in the future. For example, on June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. The enactment of such law would reduce the time before our ADSs may be prohibited from trading in the U.S. and delisted from the NYSE.

As a result of the foregoing legislative and regulatory developments in the United States, 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 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 “Item 4. Information on the Company—B. Business Overview—Regulations—M&A Rules and Overseas Listings.”

***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 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 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 December 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.

The Group currently has three Group VIEs and cash flow from such Group VIEs are immaterial.

***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 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 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 declare any dividends in the foreseeable future.

***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, as amended in December 2017, or Bulletin 7. Pursuant to 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.

***We are subject to restrictions on currency exchange.***

Substantially all of our revenues are 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. and our follow-on public offering completed in December 2020, 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.

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. and the follow-on public 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 revenue 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 the Group's operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. 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 annual report 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. The Group's operations are mainly conducted in China and the Group's 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 annual report. Therefore, you may not be able to enjoy the protection of such laws in an effective manner.***

The Group conducts its operations mainly in China, and its 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 annual report 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 annual report. 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 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 the auditors of our audit report in this annual report, 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.

Pursuant to the HFCA Act, the PCAOB issued a report on December 16, 2021 notifying the SEC of its determination that it is unable to inspect or investigate completely accounting firms headquartered in mainland China or Hong Kong, including the four PRC-based accounting firms. See “— 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.” 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 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 auditors of our audit report in this annual report independent registered public accounting firm 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 the Group’s consolidated financial statements, the Group’s 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 Corporate Structure**

***Revenue contributions from the Group VIEs have not been material. Nonetheless, if the PRC government deems that the contractual arrangements in relation to the Group 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, our Class A ordinary shares and ADSs may decline in value if we are unable to assert our contractual control rights over the assets of the Group VIEs.***

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 2021 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 2021 Foreign Investment Negative List and other applicable laws and regulations, as for the telecommunications businesses open for foreign investment according to China’s WTO commitment, except as otherwise stipulated by the state, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise providing value-added telecommunications services. Furthermore, foreign investors are prohibited from holding any equity interests in an enterprise operating land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps in the PRC.



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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 Zhipeng IoV and Yidian Chuxing. In addition, we operated our business related to land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps through Zhipeng Kongjian, which is Xintu Technology's subsidiary and in the process of renewing the Surveying and Mapping Qualification Certificate. We have entered into a series of contractual arrangements with each of the Group VIEs and the respective affiliate shareholders of the Group VIEs. For a detailed description of these contractual arrangements, see "Our Corporate Structure."

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 the Group VIEs and have to modify such structure and contractual arrangements to comply with regulatory requirements. However, 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 the Group's 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 the Group 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 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. If the PRC government determines that these contractual arrangements do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, our Class A ordinary shares and ADSs may decline in value if we are unable to assert our contractual control rights over the assets of the Group VIEs. 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 the Group 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 the Group 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 the Group 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 the Group VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to the Group VIEs for underpaid taxes; or (ii) limiting the ability of the Group VIEs to obtain or maintain preferential tax treatments and other financial incentives.

***We rely in part on contractual arrangements with Zhipeng IoV, Yidian Chuxing and the respective affiliate shareholders of such Group VIEs to operate the value-added telecommunications business. We rely on contractual arrangements with Xintu Technology and its affiliate shareholder, which enabled us to operate land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. Such contractual arrangements may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.***

XPeng Inc. is not a Chinese operating company but a Cayman Islands holding company with operations primarily conducted by its subsidiaries in China and through contractual arrangements with certain variable interest entities, or the Group VIEs, based in China. Currently, the Group VIEs are (i) Guangzhou Zhipeng IoV Technology Co., Ltd., or Zhipeng IoV, (ii) Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., or Yidian Chuxing, and (iii) Guangzhou Xintu Technology Co., Ltd., or Xintu Technology. 50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia, our co-founder, executive director and president, and Mr. Tao He, our co-founder and senior vice president, hold 40% and 10% of equity interest in Zhipeng IoV, respectively. 50% of equity interest in Yidian Chuxing is held by us, and Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, and Mr. Heng Xia hold 40% and 10% of equity interest in Yidian Chuxing, respectively. Xintu Technology is wholly owned by Guangzhou Kuntu Technology Co., Ltd., or Kuntu Technology. The ultimate holding company of Kuntu Technology is Guangzhou Chengpeng Technology Co., Ltd., in which Mr. Heng Xia and Mr. Tao He hold 80% and 20% equity interest, respectively.

We rely in part on contractual arrangements with Zhipeng IoV, Yidian Chuxing and the respective affiliate shareholders of such Group VIEs to operate the value-added telecommunications business. We rely on contractual arrangements with Xintu Technology and its affiliate shareholder, which enabled us to operate land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Group VIEs and Their Shareholders." These contractual arrangements may not be as effective as direct ownership in providing us with control over the Group VIEs. Investors in our ADSs and Class A ordinary shares are not purchasing equity interest in the Group's operating entities in China, but instead are purchasing an equity interest in XPeng Inc., a Cayman Islands holding company. The Group VIEs do not have a material contribution to the Group's results of operations and the Group VIEs do not support material revenues reported within other subsidiaries of our company. The Group VIEs are consolidated with our results of operations for accounting purposes. However, we do not own a majority equity interest in Zhipeng IoV or Yidian Chuxing, and we do not own any equity interest in Xintu Technology. Furthermore, XPeng Inc., as our holding company, does not conduct operating activities. If the Group VIEs or the respective affiliate shareholders of the Group VIEs fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the Group 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 the Group 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 the Group VIEs or the respective affiliate shareholders of the Group VIEs 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 the Group 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. In addition, rules and regulations in China can change quickly with little advance notice.”

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

Pursuant to the contractual arrangements, to the extent allowed by PRC laws, rules and regulations, Xiaopeng Technology, Xiaopeng Chuxing, or their respective designated person, have the exclusive right to purchase all or any part of the equity interests in the Group VIEs from their respective affiliate shareholders equal to the amount of the relevant registered capital contributed by the affiliate shareholders in the Group 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 affiliate shareholders of the Group VIEs shall return any amount of purchase price they have received to Xiaopeng Technology or Xiaopeng Chuxing. In September 2021, Xiaopeng Technology acquired 50% of equity interest in Zhipeng IoV from its individual shareholders, and Xiaopeng Chuxing acquired 50% of equity interest in Yidian Chuxing from its individual shareholders. As the transfer prices of such equity transfers might be subject to review and tax adjustment with reference to the market value by the relevant tax authorities, such authorities may require Xiaopeng Technology or Xiaopeng Chuxing to pay individual income taxes in the PRC on behalf of the individual shareholders for ownership transfer income with reference to the market value accordingly, in which case the amount of tax could be substantial.

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

50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia, our co-founder, executive director and president, and Mr. Tao He, our co-founder and senior vice president, hold 40% and 10% of equity interest in Zhipeng IoV, respectively. 50% of equity interest in Yidian Chuxing is held by us, and Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, and Mr. Heng Xia hold 40% and 10% of equity interest in Yidian Chuxing, respectively. Xintu Technology is wholly owned by Guangzhou Kuntu Technology Co., Ltd., or Kuntu Technology. The ultimate holding company of Kuntu Technology is Guangzhou Chengpeng Technology Co., Ltd., in which Mr. Heng Xia and Mr. Tao He hold 80% and 20% equity interest, respectively.

We rely on the affiliate shareholders of the Group VIEs to abide by the obligations under such contractual arrangements. The interests of these shareholders in their capacities as the shareholders of the Group VIEs may differ from the interests of our company as a whole, as what is in the best interests of the Group 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 shareholders will act in the best interests of our company or those conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause the Group VIEs and their subsidiaries to breach or refuse to renew the existing contractual arrangements with us. Control over, and funds due from, the Group VIEs may be jeopardized if such shareholders 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 affiliate shareholders of the Group 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 the Group 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 affiliate shareholders of the Group VIEs as provided under the power of attorney agreements, directly appoint new directors of the Group VIEs. We rely on the affiliate shareholders of the Group 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 individual shareholders of the Group VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

***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 and each Class B ordinary share is entitled to 10 votes, save that each Class A ordinary share and Class B ordinary share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters: (a) any amendment to our memorandum or articles of association, including the variation of the rights attached to any class of shares; (b) the appointment, election or removal of any independent non-executive director; (c) the appointment or removal of our auditors; or (d) the voluntary liquidation or winding-up of us. As of March 31, 2022, Mr. Xiaopeng He, our co-founder, chairman and chief executive officer and Mr. Heng Xia, our co-founder, director and president, together beneficially owned all the Class B ordinary shares issued and outstanding, which represented 75.9% of the voting power of our total issued and outstanding shares. As a result, Mr. He and Mr. Xia have the ability to control or exert significant influence over important corporate matters to the extent permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time, or the Hong Kong 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 the Group's 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 respective 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.

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

**Risks Relating to Our Share and ADSs**

***The trading price of our ADSs and Class A ordinary shares has been and is likely to continue to be volatile, which could result in substantial losses to you.***

The trading price of our ADSs and Class A ordinary shares 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 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 the U.S. and/or Hong Kong, 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 between the 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.

***An active trading market for our ordinary shares on the Hong Kong Stock Exchange, our ADSs on the NYSE and/or our other securities might not be sustained and trading prices of our ordinary shares, ADSs and/or our other securities might fluctuate significantly.***

We cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained. In addition, we cannot assure you that an active trading market for our ADSs on the NYSE or for our other securities will be sustained. For example, investors may convert our ADSs into Class A ordinary shares listed in Hong Kong. If our investors convert a significant portion of our ADSs into Class A ordinary shares listed in Hong Kong or if such conversions happen suddenly or at a rapid pace, the price and liquidity of our ADSs could be severely impacted. The trading price or liquidity for our ADSs on the NYSE and the trading price or liquidity for our Class A ordinary shares on the Hong Kong Stock Exchange in the past might not be indicative of those of our ADSs on the NYSE and our Class A ordinary shares on the Hong Kong Stock Exchange in the future. In addition, legislation, executive orders and other regulatory actions, such as the HFCA Act and U.S. Executive Order 13959, may cause our ADSs to be delisted from the NYSE. See “—Risks Related to Doing Business in China—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.” If an active trading market of our Class A ordinary shares on the Hong Kong Stock Exchange, our ADSs on the NYSE or our other securities is not sustained, the market price and liquidity of our Class A ordinary shares, our ADSs or our other securities, could be materially and adversely affected, and there may be difficulties in enforcing obligations with respect to our other securities.

***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.

***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 “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” 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 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 March 31, 2022, we had 1,302,982,824 Class A ordinary shares and 409,846,136 Class B ordinary shares issued and outstanding, excluding 2,118 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. 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 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 deposit agreement. Under our current memorandum and articles of association, the minimum notice period required to convene an annual general meeting will be 21 days and 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 Class A 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 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 ADSs.***

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 depository 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 depository determines it is illegal or impractical to make such cash dividends or other distributions available to them.***

The depository 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. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” To the extent that there is a distribution, the depository of the ADSs has agreed to pay to holders of 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 depository may, at its discretion, decide that it is illegal or impractical to make a distribution available to any holders of ADSs. For example, the depository 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 depository 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, rules subsequently implemented by the SEC and NYSE, as well as the applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules).

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.

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 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 tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to (i) issue, allot and dispose of shares (including, without limitation, preferred shares) to such persons, in such manner, on such terms and having such rights and being subject to such restrictions as the directors may from time to time determine, (ii) grant rights over shares or other securities to be issued in one or more classes or series and to determine the designations, powers, preferences, privileges, and other rights attaching to such shares or securities, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers, preferences, privileges and rights associated with our then issued and outstanding shares and (iii) grant options with respect to shares and issue warrants or similar instruments with respect thereto. 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, provided that (x) it is in compliance with the Hong Kong Listing Rules and the Code on Takeovers and Mergers, (y) no new class of shares with voting rights superior to those of Class A ordinary shares will be created and (z) 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 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.

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

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

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, whilst under our current memorandum and articles of association, holders of our ordinary shares will have a right to inspect or obtain copies of our list of shareholders and annual audit report of our profit and loss account and balance sheet. 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.

***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. Xiaopeng 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.

***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 (generally determined based on an average of the quarterly values of the assets) during such year is attributable to assets that produce or are held for the production of passive income. A separate determination must be made after the close of each taxable year as to whether a non-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 and Class A ordinary shares), 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 the cash and liquid assets that we currently hold 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 and Class A ordinary shares, a decrease in the price of our ADSs and Class A ordinary shares may also result in our becoming a PFIC.

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of the Group's VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of the Group's VIEs. If it is determined, contrary to our view, that we do not own the equity the Group's 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 are a PFIC, our United States investors may become subject to increased tax liabilities under United States federal income tax laws and regulations and will become subject to burdensome reporting requirements. See "Item 10. Additional Information—E. Taxation—Certain United States Federal Income Tax Considerations—Passive Foreign Investment Company."

***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 Hong Kong Listing Rules) or disclosed in this annual report. As a result, you may not be provided with the benefits of certain corporate governance requirements of the NYSE.

***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.***

We are subject to Hong Kong and the NYSE listing and regulatory requirements concurrently. The Hong Kong 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.

***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 and our Class A shares are currently traded on the Hong Kong Stock Exchange. 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 depository 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 Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong 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 Hong Kong 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 depository 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.

***There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.***

We have established 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 that may be converted from ADSs, will be registered on the Hong Kong share register, and the trading of these shares on the Hong Kong Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-ordinary share conversion and trading between the NYSE and the Hong Kong Stock Exchange, we also have moved 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 0.26% of the greater of the consideration for, or the value of, shares transferred, with 0.13% payable by each of the buyer and the seller.

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.

***Our investors may experience further dilution if we issue additional ADSs and/or Class A ordinary shares in the future.***

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.

***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.***

Prior to the publication of this annual report, there may be press and media coverage regarding us, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us. 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 annual report, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this annual report and any documents incorporated by reference herein only, and should not rely on any other information.

#### **ITEM 4. INFORMATION ON THE COMPANY**

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

The Group began its operations in 2015 through Chengxing Zhidong, a PRC limited liability company. The Group undertook a reorganization, or the Reorganization, to facilitate its initial public offering in the United States. As part of the Reorganization, the Group incorporated XPeng Inc., an exempted company incorporated under the laws of Cayman Islands, in December 2018. Subsequently, XPeng Inc. established XPeng Limited, a limited liability company established in the British Virgin Islands. XPeng Limited then established XPeng (Hong Kong) Limited, a Hong Kong limited liability company, as its wholly owned subsidiary. XPeng (Hong Kong) Limited then established Guangdong Xiaopeng Motors Technology Co., Ltd., or Xiaopeng Motors, as a wholly foreign-owned enterprise in the PRC.

As a transitional arrangement of the Reorganization, Xiaopeng Motors entered into a series of contractual agreements with Chengxing Zhidong and its shareholders in September 2019, pursuant to which Xiaopeng Motors exercised effective control over the operations of Chengxing Zhidong. In connection with the Reorganization, substantially all of the former shareholders of Chengxing Zhidong have exited from Chengxing Zhidong and obtained, by themselves or through their respective affiliates, shares of XPeng Inc. based on their respective shareholding in Chengxing Zhidong prior to the Reorganization. In May 2020, Xiaopeng Motors completed its purchase of 100% equity interest in Chengxing Zhidong. Consequently, Chengxing Zhidong became an indirect wholly owned subsidiary of XPeng Inc.

In August 2020, we listed our ADSs on the NYSE under the symbol “XPEV.” In July 2021, we listed our Class A ordinary shares on the Hong Kong Stock Exchange under the stock code “9868.”

##### **B. Business Overview**

###### **Overview**

We are a leading Chinese Smart EV company that designs, develops, manufactures, and markets Smart EVs that appeal to the large and growing base of middle-class consumers in China. Since inception, 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.



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Within only seven 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 advanced driver assistance, smart connectivity and core vehicle systems. We develop full stack advanced driver assistance systems, or ADAS, software in house and have deployed such software on mass-produced vehicles. We offer XPILOT 3.0, our self-developed ADAS solution, as a paid service to our customers, and we plan to roll out XPILOT 3.5 in 2022. In addition, we deployed automotive-grade light detection and ranging, or LIDAR, technology to further enhance the perception capability of our third car model, the P5. We began delivering the P5 in September 2021, marking what we believe was the world's first mass-produced Smart EV equipped with LIDAR.

Our Smart EVs appeal to the large growing base of 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 RMB400,000. Consumers choose our products primarily because of attractive design, interactive smart mobility experience and long driving range.

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.

- In December 2018, we started delivery of the G3, which is our first Smart EV and a compact SUV.
- In May 2020, we started delivery of the P7, which is our second Smart EV and a sports sedan.
- In March 2021, we started delivery of the P7 Wing, which is 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 newer 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 unveiled the P5, which is our third Smart EV and a family sedan, and started delivery in September 2021.
- In July 2021, we introduced the G3i, which is the mid-cycle facelift version of the G3, and started delivery in August 2021.
- We have a strong pipeline of new Smart EVs. In November 2021, we unveiled the G9 and the official launch of the G9 is expected in the third quarter of 2022.

We currently offer the following models:

- G3i (compact SUV), with a wheelbase of 2,625 mm and NEDC range between 460 km and 520 km.
- P7 (sports sedan), with a wheelbase of 2,998 mm and NEDC range between 480 km and 706 km.
- P7 Wing (sports sedan), with a wheelbase of 2,998 mm and NEDC range between 562 km and 670 km.
- P5 (family sedan), with a wheelbase of 2,768 mm and NEDC range between 460 km and 600 km.

Our ADAS 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 seek to continuously expand our customer reach by extending our online and physical sales and service network. We employ an omni-channel sales model and we strive to ensure consistent brand image, customer experience and price across all sales channels. As of December 31, 2021, our physical sales and service network consisted of a total of 357 stores and 117 service centers, covering 140 cities in China. In addition, we actively engage in online marketing through various channels to further enhance our brand recognition and customer acquisition.

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. As of December 31, 2021, there were 772 XPeng-branded super charging stations, covering 308 cities in China.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We manufacture the G3i, the new mid-cycle facelift version of the G3, the P7 and the P5 at our own plant in Zhaoqing, Guangdong province. In addition, we are constructing new Smart EV manufacturing bases in Guangzhou and Wuhan.

Our total revenues grew rapidly from RMB2,321.2 million in 2019 to RMB5,844.3 million in 2020, and further to RMB20,988.1 million in 2021. Our Smart EV deliveries increased from 12,728 units in 2019 to 27,041 units in 2020, and further to 98,155 units in 2021, representing a year-on-year growth rate of 263.0% between 2020 and 2021. Along with strong revenue growth, our gross profit margin increased from negative 24.0% in 2019 to 4.6% in 2020, and 12.5% in 2021.

### **Products**

Our products include Smart EVs and advanced ADAS software system. We design, develop, manufacture and market Smart EVs, and we develop full-stack ADAS software system in-house. We design our Smart EVs to satisfy the needs and preferences of 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.

#### ***G3 and G3i***

Our first mass-produced Smart EV, the G3, is a compact SUV and we started to deliver the G3 in December 2018. Since its launch, we have continuously upgraded the G3 to improve its performance. In July 2021, we introduced the G3i, which is the mid-cycle facelift version of the G3, and started delivery in August 2021.

The G3i we offered as of December 31, 2021 has a wheelbase of 2,625 mm and NEDC range between 460 km and 520 km. Our smart technology functions make the G3i a compelling product for the mid- to high-end segment.

#### ***P7***

Our second mass-produced Smart EV, the P7, is a four-door sports sedan. As our flagship model, the P7 is expected to continue to reinforce our position as a leading Smart EV brand. We started the production of the P7 and began delivery in May 2020. In November 2020, we unveiled the P7 Wing, a limited edition designed to maximize the sporty and dynamic style of the sports sedan with a pair of specifically-designed scissor-style front doors, which are traditionally only available in luxury sports vehicles. We started the delivery of the P7 Wing in March 2021.

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The P7 we offered as of December 31, 2021 has a wheelbase of 2,998 mm and NEDC range between 480 km and 706 KM. The P7 Wing we offered as of December 31, 2021 has a wheelbase of 2,998 mm and NEDC range between 562 km and 670 km.

The standard and premium versions of the P7 both offer ADAS features powered by XPILOT 2.5. Customers who own the premium version of the P7 can purchase XPILOT 3.0, which was rolled out through an OTA firmware update in January 2021.

### P5

In April 2021, we unveiled the P5, which is our third Smart EV and a family sedan, and started delivery in September 2021. We have deployed LIDAR technology to further enhance the perception capability of the P5, which we believe was the world's first mass-produced Smart EV equipped with LIDAR.

The P5 we offered as of December 31, 2021 has a wheelbase of 2,768 mm and NEDC range between 460 km and 600 km.

The standard and premium versions of the P5 both offer ADAS features powered by XPILOT 3.0. Customers who own the premium version of the P5 can purchase XPILOT 3.5, which we plan to roll out through an OTA firmware update in 2022.

### Future Smart EV Roadmap

We plan to continuously introduce new models and facelifts to expand our product portfolio and customer base. In November 2021, we unveiled the G9 and the official launch of the G9 is expected in the third quarter of 2022. 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:



### Advanced ADAS Software

We rolled out our advanced ADAS software, XPILOT 3.0, through OTA firmware update, in January 2021. XPILOT 3.0 can support navigation guided pilot, or NGP, for highway driving and advanced automated parking.

We plan to roll out XPILOT 3.5 in 2022, which will support NGP for major urban roads.

### Smart EV Deliveries

The following table sets forth the number of our vehicles delivered to customers in the periods indicated:

	For the three months ended								
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
G3 (including G3i)	2,271	2,903	2,368	4,437	5,366	5,876	5,691	12,788	4,648
P7	—	325	6,210	8,527	7,974	11,522	19,731	21,342	19,427
P5	—	—	—	—	—	—	244	7,621	10,486
<b>Total</b>	<b>2,271</b>	<b>3,228</b>	<b>8,578</b>	<b>12,964</b>	<b>13,340</b>	<b>17,398</b>	<b>25,666</b>	<b>41,751</b>	<b>34,561</b>

In 2019, we delivered a total of 12,728 Smart EVs, all of which were G3 deliveries.

### 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.

### Our ADAS—XPILOT

XPILOT, our proprietary ADAS, is customized for driving behavior and road conditions in China. Since inception, we have dedicated significant research and development efforts in ADAS technology, which we believe is a key element for the Smart EV experience. Our research and development capabilities enable us to continuously improve XPILOT and achieve fast system iterations.

We rolled out NGP for highway driving and advanced automated parking, or the Valet Parking Assist, each of which is a function of our proprietary XPILOT 3.0, through OTA firmware updates in January 2021 and June 2021, respectively.

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 system, as well as switch from one highway to another.

The Valet Parking Assist, the advanced automated parking function of XPILOT 3.0, can memorize the locations and layouts of the parking lots that a driver frequently uses. Based on such information, the function enables the ADAS 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.

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Leveraging our full-stack research and development capabilities, we are able to tailor our ADAS to road conditions in China, which is a key factor that differentiates our Smart EVs. We continuously explore new ADAS capabilities, and unveiled our third Smart EV model, the P5, in April 2021. Leveraging our perception capability complemented by LIDAR, we plan to roll out XPILOT 3.5, which will support NGP for major urban roads.

Our ADAS capabilities are supported by computing platforms supplied by world-leading technology companies. We believe our localized approach enables XPILOT to better serve Chinese customers, compared with ADAS solutions offered by global OEMs and top-tier suppliers.

### **Powertrain**

Powertrain plays a critical role in our ability to deliver safe and high-performance EVs at competitive prices. Our Smart EV's powertrain consists of the battery system, electric drive system, high voltage system and vehicle control unit, or VCU. 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 enable us to improve the powertrain's functions and customer experience after delivery.

Our Smart EVs' battery system utilizes high-energy density battery cells, which are packed into modules and fastened to a high-strength aluminum frame. We utilize lithium nickel manganese cobalt oxide, or NCM, cells and LFP cells for our batteries. 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.

### **Sales and Marketing**

We employ an omni-channel sales model and 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.

As of December 31, 2021, our physical sales and service network consisted of 357 stores and 117 service centers, covering 140 cities in China. Stores in our sales and service network include both stores directly operated by us and franchised stores. We offer a consistent brand image, customer experience and price across our direct stores and franchised stores.

While currently we primarily sell products and services in China's market, 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. In August 2021, we started the deliveries of the P7 to the European market. We plan to continue to expand into other international markets, starting with certain European markets.

### **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. We will continue to expand the XPeng-branded super charging network coverage, to provide greater accessibility and enhanced charging experience to our customers.

As of December 31, 2021, there were 772 XPeng-branded super charging stations, covering 308 cities in China. We are one of few EV companies that have established self-branded 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.

#### ***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 addition, we have developed an intelligent remote diagnosis system, which detects potential system error before it occurs to ensure vehicle safety. We also offer competitive warranty terms for our Smart EVs.

#### ***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 auto financing. We cooperate with banks and connect them with customers who seek automotive financing solutions. To complement the banks' services, we also offer auto financing to our customers through a wholly-owned subsidiary. Such auto financing program is treated as an installment payment program for accounting purposes and the Group records the relevant installment payment receivables on its balance sheets.
- 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 Guangdong province on a trial basis. 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 and currently manufacture G3i, the new mid-cycle facelift version of the G3, the P7 and the P5 at the plant in Zhaoqing. In addition, we are constructing new Smart EV manufacturing bases in Guangzhou and Wuhan.

We historically produced the G3 through a contract manufacturing collaboration with Haima Automobile Co., Ltd, or Haima, in Zhengzhou, Henan province. We ceased the contract manufacturing arrangement with Haima in December 2021.

## **Data Privacy and Security**

We are committed to complying with applicable data protection laws and protecting the security of personal data. We mainly collect and store data relating to the usage of the ADAS system, infotainment system, as well as data collected through our sales and services channels. Such data primarily includes, among others, name, contact information and payment information. In addition, we also collect vehicle 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 infotainment system, such as information relating to AI voice assistant, smart navigation, music, data traffic and third-party apps. Such data is collected in accordance with applicable data protection laws and regulations. Our privacy policy, which is provided to every customer, describes our data processing activities. Specifically, we undertake to manage and use the data collected from customers in accordance with applicable laws and make reasonable efforts to prevent unauthorized use, loss, or leakage of customer data and will not disclose sensitive customer data to any third party without appropriate and necessary business needs, except under legal requirement or certain circumstances specified in the customer consent. We implement data security measures, for instance, access control and identity verification. We strictly limit and monitor employee access to customer personal data. We provide data privacy and information security 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, such as entering into separate confidentiality agreements or data protection agreements with our business partners, adopting necessary data security measures such as encryption, to protect such data.

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 anonymize personal data by removing personally identifiable information, when such information is not relevant to our business. We encrypt personal data in transit, using sophisticated security protocols to ensure the integrity and confidentiality. We back up our personal 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 related to data privacy 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 Protection Officer responsible for data protection. We believe our policies and practice with respect to data privacy and security are in compliance with applicable laws and prevalent industry practice.

## **Competition**

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. To a lesser extent, our Smart EVs also compete with ICE vehicles in the mid- to high-end segment offered by traditional OEMs. Furthermore, traditional OEMs that have strong brand recognition, substantial financial resources, sophisticated engineering capabilities and established sales channels may shift their focus towards the EV market in the future. We believe that our competitive advantage over existing and potential competitors lies in our innovative product offerings localized for consumers in China, ability to offer a great-to-drive and great-to-be-driven experience, robust software, hardware and data technologies, innovative software and content monetization model, scalable and efficient platforms and our winning Smart EV team.

## 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.

## Employees

As of December 31, 2019, 2020 and 2021, we had a total of 3,715, 5,084 and 13,978 employees, respectively. The following table sets forth a breakdown of our employees categorized by function as of December 31, 2021.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage to Total</u>
Research and development	5,271	38%
Sales and marketing	6,277	45%
Manufacturing	1,872	13%
General and administration	101	1%
Operation	457	3%
<b>Total</b>	<b>13,978</b>	<b>100%</b>

As of December 31, 2021, 13,683 of our employees were based in mainland China or Hong Kong, and 295 of our employees were based overseas.

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, the P7 and the P5 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.

## Facilities

We own land use rights with respect to a parcel of land of over 600,000 square meters in Zhaoqing, Guangdong Province, and such land use rights expire in 2067. We have constructed our Zhaoqing plant on this parcel of land, and the plant has a construction area of 231,000 square meters. We purchased land use rights with respect to an additional parcel of land of over 133,000 square meters in Zhaoqing, Guangdong Province in 2021, and such land use rights expire in 2070. We also own land use rights with respect to a parcel of land of over 63,000 square meters in Guangzhou, Guangdong Province, and such land use rights expire in 2070. We have commenced the construction of a trial production facility on this parcel of land in September 2020. We also own land use rights with respect to a parcel of land of over 566,000 square meters in Wuhan, Hubei Province, and such land use rights expire in 2072. We have commenced the construction of a new Smart EV manufacturing base on this parcel of land in July 2021.



We also maintain a number of leased properties. Our corporate headquarters is located in Guangzhou, Guangdong Province, where we lease 74,216 square meters of properties primarily for corporate administration, research and development, trial production and testing. We also lease properties of 10,918 square meters in Beijing, Shanghai and Shenzhen, as well as 47,760 square feet in Silicon Valley and San Diego in the United States, 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 China and several flexible workspaces or co-working spaces in Denmark, Netherlands, Norway, and Sweden.

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.

### **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.

### **Legal Proceedings**

We are currently not a party to any material legal or administrative 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.

### **Regulation**

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

### ***PRC Permissions and Approvals***

We have obtained all requisite permissions and approvals that are material to the Group's operations in China as of the date hereof, including Zhaoqing Xiaopeng New Energy Investment Co., Ltd., or Xiaopeng New Energy, and our Smart EVs (the G3, the G3i, the P7, the P7 Wing and the P5) being listed in Announcement of the Vehicle Manufacturers and Products issued by the Ministry of Industry and Information Technology of PRC, or the MIIT, which is the entry approval for Xiaopeng New Energy to become a qualified manufacturer of EVs and Smart EVs and for the manufacturing and sales of our Smart EVs (the G3, the G3i, the P7, the P7 Wing and the P5). 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 assure you that we have obtained or will be able to obtain and maintain all requisite licenses, permits, filings and registrations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Certain of our operating subsidiaries may be required to obtain additional licenses or permits or make additional filings or registrations."

Under the PRC laws, rules and regulations currently in effect, no prior permission or approval from PRC government authority is required for issuing our ADSs to foreign investors. However, there remain substantial uncertainties as to how the relevant PRC laws, rules and regulations will be interpreted or implemented, and we cannot assure you that the relevant PRC government authorities will reach the same conclusion. Furthermore, laws, rules and regulations in China may change frequently. We cannot rule out the possibility that relevant PRC governmental authorities may subsequently determine our initial public offering in the U.S., follow-on public offering or any debt financing activities should be subject to any approval, filing or other regulatory procedures, and we cannot assure you that we can obtain the required approval or accomplish the required filing or other regulatory procedures in a timely manner, or at all. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Actual or alleged failure to comply with laws, regulations, rules, policies and other obligations regarding privacy, data protection, cybersecurity and information security could subject us to significant reputational, financial, legal and operational consequences," "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. In addition, rules and regulations in China can change quickly with little advance notice" and "Item 3. Key Information—D. Risks Factors—Risks Relating to Our Corporate Structure—Uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations."

### ***Regulation Related to Foreign Investment***

The establishment, operation and management of companies in China are mainly governed by the PRC Company Law, as most recently 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, and on December 26, 2019, the State Council promulgated the Implementing Rules of the 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 took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, 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. 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 certain special requirements on shareholding and senior management personnel, etc. In the meantime, relevant competent government departments will formulate a catalogue of the specific industries, fields and regions in which foreign investors are encouraged and guided to invest according to the national economic and social development needs. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely The Special Management Measures for the Entry of Foreign Investment (Negative List) (2021 version), or the 2021 Foreign Investment Negative List, as promulgated on December 27, 2021 by the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOFCOM, and taking effect from January 1, 2022, and the Encouraged Industry Catalogue for Foreign Investment (2020 version), as promulgated by the NDRC and the MOFCOM on December 27, 2020 and taking effect on January 27, 2021. Industries not listed in these two catalogues are generally deemed "permitted" for foreign investment unless specifically restricted by other PRC laws.

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 jointly promulgated by the MOFCOM and the SAMR, which took effect on January 1, 2020, a foreign investment information reporting system has been 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 national 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.

### ***Regulation Related to Manufacturing New Energy Passenger Vehicles***

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 Ministry of Industry and Information Technology, or 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, 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, 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.

In addition, according to the Administrative Measures for the Entry of Manufacturers of New Energy Passenger Vehicles and the Products promulgated by the MIIT on January 6, 2017, which took effect on July 1, 2017 and last amended on July 24, 2020, or Circular 39, 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 in China 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 in China. 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.

Furthermore, 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 Circular 39 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.

### ***Regulation Related to Compulsory Product Certification***

According to the Administrative Regulations on Compulsory Product Certification 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 automobiles. Automobiles and the relevant accessories must not be sold, exported or used in operating activities until they are certified by certification authorities designated by CAA as qualified products and granted certification marks.

### ***Regulation Related to Government Subsidies and Exemption of Vehicle Purchase Tax for Purchasing New Energy Vehicles***

On April 22, 2015, the Ministry of Finance, or the MOF, 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, or the NEV Financial Subsidies Circular, which took effect on the same day. The NEV Financial Subsidies Circular provides that those who purchase new energy vehicles specified in the Catalogue of Recommended New Energy Vehicle Models for Promotion and Application issued by the MIIT, or the Recommended NEV Catalogue, 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 the subsidy amount from the PRC central government after such new energy vehicle is sold to the purchaser. Our products, the G3 and the P7, are eligible for such subsidies. Furthermore, a preliminary phase-out schedule for the provision of subsidies during the period from 2016 to 2020 contained in NEV 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 MOF, the MOST, the MIIT and NDRC jointly promulgated the Circular on Adjusting the Subsidy Policies on Promotion and Application of New Energy Vehicles, or the Circular on Adjusting the NEV Subsidy Policies, which became effect on January 1, 2017, to enhance the technical requirements and adjust the subsidy criteria of qualified new energy vehicles in the Recommended NEV Catalogue. The Circular on Adjusting the NEV Subsidy Policies 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 MOF, 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 MOF, the MOST, the MIIT and the NDRC jointly issued the Circular on Improving Subsidy Policies on Promotion and Application of New Energy Vehicles, which took effect on the same day, or the 2020 NEV Financial Subsidies Circular, which extends the implementation period of financial subsidy policy for new energy vehicles to the end of 2022. The 2020 NEV 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 and December 31, 2021, the abovementioned authorities further promulgated another two similar circulars to reiterate the principles including among others, the subsidy criteria reduction rate as stipulated in the 2020 NEV Financial Subsidies Circular.

On December 26, 2017, the MOF, 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, or the Announcement on Exemption of Vehicle Purchase Tax, 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 Catalogue of New Energy Vehicle Models Exempted from Vehicle Purchase Tax jointly issued by MIIT and the SAT. On April 16, 2020, the MOF, the SAT and the MIIT further promulgated the Announcement on Relevant Policies for the Exemption of Vehicle Purchase Tax for New Energy Vehicles, which took effect on January 1, 2021, and further extend the exemption period for the vehicle purchase tax of new energy vehicles to December 31, 2022.

### ***Regulation Related 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 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) 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 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 implemented measures to encourage the construction and development of the electric vehicle charging infrastructure. For instance, on April 3, 2020, the Municipal Bureau of Industry and Information Technology of Guangzhou promulgated the Circular on Measures of Promoting Automobile Production and Consumption of Guangzhou, which took effect on the same day and will remain effective until December 31, 2020, aiming, among other things, to promote the construction of ancillary facilities of the new energy vehicles, including the charging facilities in areas such as public carparks and industry parks.

### ***Regulations Relating to Parallel Credits Policy on Vehicle Manufacturers and Importers***

On September 27, 2017, the MIIT, the MOF, the MOFCOM, 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 Enterprise, 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 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 Related to Automobile Sales and Consumer Rights Protection***

Pursuant to the Product Quality Law of the PRC promulgated on February 22, 1993 and most recently 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, 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 automobiles in accordance with requirements contained therein; otherwise, the product quality supervision department of the State Council shall order manufacturers to recall accordingly. On November 25, 2020, the SAMR issued a Circular on Further Strengthening the Regulation of Recall of Automobile with Over-The-Air (OTA) Technology, or the OTA Recall Circular, pursuant to which automobile manufacturers that provide technical services to sold automobiles 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 promulgated by the MOFCOM on April 5, 2017, which took effect on July 1, 2017, automobile suppliers and dealers shall sell automobiles, 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 indicate the prices of automobiles, 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, as promulgated on October 31, 1993 and most recently amended in 2013 by the Standing Committee of the National People's Congress of China, or 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 Related to Value-added Telecommunications Services***

Among all of the applicable laws and regulations, the PRC Telecommunications Regulations, or the Telecom Regulations, promulgated by the PRC State Council in September 25, 2000 and most recently amended on February 6, 2016, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations distinguish "basic telecommunications services" from "value-added telecommunications services", or "VATS". VATS are defined as telecommunications and information services provided through public networks. A telecom catalogue was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added, which was most recently updated in June 2019.

The Administrative Measures on Telecommunications Business Operating Licenses promulgated by the MIIT in 2009 and most recently amended in July 2017, set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of VATS must first obtain a VATS License from the MIIT or its provincial level counterparts, otherwise such operator might be subject to sanctions including corrective orders from the competent administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to close.

In addition, pursuant to the Administrative Measures on Internet Information Services promulgated by the State Council in 2000 and amended in 2011, “internet information services” refer to the provision of information through the internet to online users, and are divided into “commercial internet information services” and “non-commercial internet information services”. A provider of commercial internet information service must obtain the VATS License for internet information service. If the operator provides internet information on a non-commercial basis, it only needs to file the relevant information with the provincial Communication Administration.

According to the 2021 Foreign Investment Negative List and the Administrative Regulations on Foreign-Invested Telecommunications Enterprises, which were most recently amended by the State Council on April 7, 2022 and will take effect on May 1, 2022 and replace the currently effective version afterwards, as for the telecommunications businesses open for foreign investment according to China’s WTO commitment, except as otherwise stipulated by the state, the equity interest of foreign investors in the value-added telecommunications enterprises shall not exceed 50%.

In 2006, the predecessor to the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business, according to which a foreign investor in the telecommunications service industry of China must establish a foreign-invested enterprise and apply for a telecommunications business operation license. This circular further requires that: (i) PRC domestic telecommunications business enterprises must not lease, transfer or sell a telecommunications business 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 service 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) value-added telecommunications enterprises 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 or 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.

### ***Regulation Related to Online Taxi Booking Services***

On July 27, 2016, the Ministry of Transport, the MIIT, the Ministry of Public Security, the MOFCOM, the SAMR, the QSIQ, and the Cyberspace Administration of China jointly promulgated the Administrative Measures for the Business of Online Taxi Booking Services, or the Online Taxi Booking Services Measures, which took effect on November 1, 2016 and was most recently amended on December 28, 2019, to regulate the business activities of online taxi booking services, and ensure safety of the passengers. According to the Online Taxi Booking Services Measures, before carrying out online taxi booking services, an enterprise serving as the online taxi booking service platform shall obtain the permit for online taxi booking business from the competent local taxi administrative department, complete the record-filing of internet information services with the competent provincial traffic administrative department, and complete the filings with the authority designated by the public security department of the provincial government of the place where the operator of the online taxi booking service platform is located, within 30 days after its network is officially connected. Vehicles used for the online taxi booking services shall install satellite positioning and emergency alarming devices and fulfill the criteria of safe operations, and the competent taxi administrative departments will issue a transportation permit for vehicles used for online taxi booking services that satisfy the prescribed conditions and such vehicles will be registered as vehicles for pre-booked passenger transport. In addition, drivers engaging in the online taxi booking services shall satisfy the requirement of driving experience, no criminal offence or violent crime record to obtain his license for online taxi booking services. Furthermore, various local governmental authorities have promulgated implementing rules to stipulate the requirements for online taxi booking service platforms, vehicles and drivers. For instance, on November 28, 2016, the People’s Government of Guangzhou promulgated the Administrative Measures for the Business Operation of Online Taxi Booking Services of Guangzhou, taking effect on the same day and most recently amended on November 14, 2019, which reiterates that an enterprise serving as the online taxi booking platform shall fulfill the requirements stipulated in the Online Taxi Booking Services Measures and obtain the permit for operating online taxi booking business from the municipal traffic administrative department in Guangzhou.

***Regulation Related to Financing Lease***

According to the Administrative Measures of Supervision on Financing Lease Enterprises formulated by the MOFCOM and effective on October 1, 2013, financing lease enterprises shall use lease properties with clear ownership and capable of generating revenue to carry out the financing lease business and shall report the relevant data in a timely and truthful manner through the National Financing Lease Company Management Information System. Financing lease enterprises shall not engage in deposits, loans, entrusted loans or other financial services. Without approval of the relevant government authorities, financing lease enterprises shall not engage in inter-bank borrowing or other businesses and must not carry out illegal fundraising activities under the disguise of a financing lease company. In addition, the measures also provide that financing lease enterprises shall give adequate consideration to and objectively evaluate the value of assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof.

Furthermore, the PRC Civil Code promulgated by the National People's Congress and effective on January 1, 2021 sets forth general terms about financing lease contracts and further provides that the lessor and the lessee may agree on the ownership of the leased property upon expiry of the lease term. If the ownership of the leased property is not or is not clearly agreed between the parties and cannot be determined pursuant to the PRC Civil Code, the leased property shall be owned by the lessor.



Our auto financing program is treated as an installment payment program for accounting purposes and the Group records the relevant installment payment receivables on its balance sheets.

***Regulation Related to Internet Security and Privacy Protection***

PRC governmental authorities have enacted laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The Decision in Relation to Protection of Internet Security enacted by the SCNPC on December 28, 2000 and amended on August 27, 2009, provides that, among other things, the following activities conducted through the Internet are subject to criminal punishment: (i) gaining improper entry into a computer or system of strategic importance; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack the computer system and the communications network, thus damaging the computer system and the communications networks; (iii) in violation of State regulations, discontinuing the computer network or the communications service without authorization; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet, etc.

On July 1, 2015, the Standing Committee of the National People’s Congress issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cyber security development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law, which came into effect on June 1, 2017 and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. The Cybersecurity Law defines “networks” as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with certain rules and procedures. “Network operators”, who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system’s protection requirements, which include formulating internal security management rules and manual, appointing cybersecurity responsible personnel, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and cybersecurity events, taking measures to classify, backup and encrypt important data; (ii) formulating cybersecurity emergency response plans, timely handling security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities; and (iii) providing technical assistance and support for public security and national security authorities for protection of national security and criminal investigations in accordance with the law. Network service providers who do not comply with the Cybersecurity Law may be subject to fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

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, 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, which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute a 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.

On March 15, 2019, the CAC and the SAMR jointly issued the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application, which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users. The institution designated for this certification is the China Cybersecurity Review Technology and Certification Center. The China Cybersecurity Review Technology and Certification Center has the right to appoint testing agencies to inspect technical capabilities and business operations for the certification.

Furthermore, 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 SAMR jointly issued the Notice on the Measures for Determining the Illegal Collection and Use of Personal Information through Mobile Applications, which aims to provide reference for supervision and administration departments and provide guidance for mobile applications 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 mobile applications 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 they provide and beyond the necessary principle; (v) providing personal information to others without the users’ consent; (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 Standing Committee of the National People’s Congress of China promulgated the Data Security Law, which took effect in September 2021. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. We may be required to make further adjustments to our business practices to comply with this law.

On July 30, 2021, the State Council promulgated the Regulations on Security Protection of Critical Information Infrastructure, effective on September 1, 2021. According to the Regulations on Security Protection of Critical Information Infrastructure, a “critical information infrastructure” refers to an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental authorities and supervision and management authorities of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

The Administrative Provisions on Security Vulnerability of Network Products were jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and took effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to these provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to these provisions, the breaching parties may be subject to administrative penalty as regulated in accordance with the Cybersecurity Law.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law, which took effect from November 1, 2021. Pursuant to the PRC Personal Information Protection Law, personal information refers to the information related to an identified or identifiable individual recorded electronically or by other means, excluding the anonymized information, and processing of personal information includes among others, the collection, storage, use, handling, transmission, provision, disclosure, deletion of personal information. In addition to processing of personal information within the PRC, the PRC Personal Information Protection Law also applies to the processing of personal information outside the PRC under any of the following circumstances: (i) where the purpose is to provide products or services to individuals within the PRC; (ii) when analyzing or assessing the activities of domestic individuals; or (iii) other circumstances as stipulated by laws and administrative regulations. The PRC Personal Information Protection Law explicitly sets forth the circumstances where it is allowed to process personal information, including (i) the consent from the individual has been obtained; (ii) it is necessary for the conclusion and performance of a contract under which an individual is a party, or it is necessary for human resource management in accordance with the labor related rules and regulations and the collective contracts formulated or concluded in accordance with laws; (iii) it is necessary to perform statutory duties or statutory obligations; (iv) it is necessary to respond to public health emergencies, or to protect the life, health and property safety of individuals in emergencies; (v) carrying out news reports, public opinion supervision and other acts for the public interest, and processing personal information within a reasonable scope; (vi) processing personal information disclosed by individuals or other legally disclosed personal information within a reasonable scope in accordance with this law; or (vii) other circumstances stipulated by laws and administrative regulations. In addition, this law emphasizes that individuals have the right to withdraw their consent to process their personal information, and the processors must not refuse to provide products or services on the grounds that the individuals do not agree to the processing of their personal information or withdraw their consent, unless processing of personal information is necessary for the provision of products or services. Before processing the personal information, the processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) the purpose of processing personal information, processing method, type of personal information processed, and the retention period; (iii) methods and procedures for individuals to exercise their rights under this law; (iv) other matters that should be notified according to laws and administrative regulations. Furthermore, the law provides that personal information processors who use personal information to make automated decisions should ensure the transparency of decision-making and the fairness and impartiality of the results, and must not impose unreasonable differential treatment on individuals in terms of transaction prices and other transaction conditions.

On November 14, 2021, the CAC published a discussion draft of Administrative Measures for Internet Data Security for public comment until December 13, 2021, which provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The draft measures also provide that operators of large internet platforms that set up headquarters, operation centers or R&D centers overseas shall report to the national cyberspace administration and competent authorities. In addition, the draft measures also require that data processors processing important data or going public overseas shall conduct an annual data security self-assessment or entrust a data security service institution to do so, and submit the data security assessment report of the previous year to the local branch of the CAC before January 31 each year. As of the date of this annual report, this draft has not been formally adopted, and substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation.

On December 28, 2021, the CAC, together with certain other PRC governmental authorities, promulgated the Revised Cybersecurity Review Measures that replaced the previous version and took effect from February 15, 2022. Pursuant to these measures, the purchase of network products and services by an operator of critical information infrastructure or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, any online platform operator possessing over one million users' individual information must apply for a cybersecurity review before listing abroad. The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. Article 10 of the Revised Cybersecurity Review Measures also set out certain general factors which would be the focus in assessing the national security risk during a cybersecurity review, including (i) risks of critical information infrastructure being illegally controlled or subject to interference or destruction; (ii) the harm caused by the disruption of the supply of the product or service to the business continuity of critical information infrastructure; (iii) the security, openness, transparency and diversity of sources of the product or service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors; (iv) compliance with PRC laws, administrative regulations and departmental rules by the provider of the product or service; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, damaged, illegally used, or illegally transmitted overseas; (vi) the risk that critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, and maliciously used by foreign governments for a listing, as well as network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security. However, as these measures were recently adopted, there are still uncertainties as to the exact scope of network product or service or data processing activities that will or may affect national security, and the PRC government authorities may have discretion in the interpretation and enforcement of these measures.

To apply for a cybersecurity review, the relevant operators shall submit (i) an application letter, (ii) a report to analyze the impact or the potential impact on national security, (iii) purchase documents, agreements, the draft contracts, and the draft application documents for the initial public offering or similar activity, and (iv) other necessary materials. If the Cybersecurity Review Office deems it necessary to conduct a cybersecurity review, it should complete a preliminary review within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the completion of a preliminary review, the Cybersecurity Review Office should reach a review conclusion suggestion and send the review conclusion suggestion to the members for the cybersecurity review mechanism and the relevant authorities for their comments. These authorities shall issue a written reply within 15 business days from the receipt of the review conclusion suggestion. If the Cybersecurity Review Office and these authorities reach a consensus, then the Cybersecurity Review Office shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases.

In the meantime, the PRC regulatory authorities have also enhanced the supervision and regulation on cross-border data transmission. For example, on October 29, 2021, the Measures for the Security Assessment of Cross-border Data Transmission (Draft for Comment) were proposed by the CAC for public comments, which require that any data processor providing important data collected and generated during operations within the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The draft measures provide five circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information or important data collected and generated by operators of critical information infrastructure; (ii) where the data to be transferred to an overseas recipient contain important data; (iii) where a personal information processor that has processed personal information of more than one million people provides personal information overseas; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively; or (v) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration. As of the date of this annual report, the above measures have not been formally adopted, and substantial uncertainties still exist with respect to the enactment timetable, final content, interpretation and implementation of these measures and how they will affect our business operation.

## ***Regulation Related to Intellectual Property***

### ***Patent***

Patents in the PRC are principally protected under the PRC Patent Law, which was initially promulgated by the SCNPC in 1984 and was most recently amended in 2008. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs.

### ***Copyright***

Copyrights in the PRC, including software copyrights, is principally protected under the PRC Copyright Law, which took effect in 1991 and was most recently amended in November 2020 and other related rules and regulations. Under the PRC Copyright Law, the term of protection for software copyrights is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks, as most recently 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.

### ***Trademark***

Registered trademarks are protected under the PRC Trademark Law, which was adopted by the SCNPC in 1982 and most recently amended in 2019, as well as the Implementation Regulations of the PRC Trademark Law adopted by the State Council in 2002 and most recently amended in 2014 and other related rules and regulations. The State Intellectual Property Office, formerly known as the Trademark Office of the State Administration for Industry and Commerce, handles trademark registrations and grants a protection term of ten years to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner.

### ***Domain Name***

Domain names are protected under the Administrative Measures on Internet Domain Names promulgated by the MIIT on August 24, 2017 and effective since 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.

## ***Regulation Related to Employment, Social Insurance and Housing Fund***

Pursuant to the PRC Labor Law, which was promulgated in 1994 and most recently amended in 2018, and the PRC Labor Contract Law, which was promulgated on June 29, 2007 and amended on December 28, 2012, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Violations of the PRC Labor Contract Law and the PRC 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 PRC Social Insurance Law implemented on July 1, 2011 and most recently amended on December 29, 2018 and the Regulations on the Administration of Housing Funds, which was promulgated by the State Council in 1999 and most recently amended in 2019, employers in China must provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance and housing funds.

## ***Regulation Related to Foreign Exchange and Dividend Distribution***

### ***Regulation on Foreign Currency Exchange***

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as most recently amended in 2008. Under PRC foreign 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 China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or Circular 59, which substantially amends and simplifies the previous foreign exchange procedure. Pursuant to Circular 59, the opening and deposit 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 promulgated the Notice on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting Documents, which 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, 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, conduct the registration and perform statistical monitoring and reporting responsibilities.

In March 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, 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 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 RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions under previous rules and regulations. 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 the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, 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.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, 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 stamp with the outward remittance sum and date on the original copies of tax filing records, 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 issued Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment, or the Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the Circular 28 was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

#### ***Regulation on Dividend Distribution***

The principal regulations governing dividends distributions by companies include the PRC Company Law, the Foreign Invested Enterprise Law and its implementing rules. Under these laws and regulations, both domestic companies and foreign-invested 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 unless the laws and regulations regarding foreign investment provide otherwise. PRC 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.

#### ***Regulation on 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, 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 China. 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 China 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.

In 2015, the 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 the 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 the registration procedures set forth in SAFE Circular 37 and the subsequent notice, 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.

### ***Regulation Related to Stock Incentive Plans***

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies, or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, domestic individuals, which means the PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, 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 of 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 its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. 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, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches 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. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

### ***Regulation Related to Tax***

#### ***Enterprise Income Tax***

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, which became effective on January 1, 2008 and was most recently amended on December 29, 2018, and its implementing rules, enterprises are classified as 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%. An enterprise established outside of the PRC with its "de facto management body" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Enterprises qualified as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate.

The EIT Law and its implementation rules provide that an income tax rate of 10% should 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 China 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 the Prevention of Fiscal Evasion with respect to Taxes on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise 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 the in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by the SAT, 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; and based on the Announcement on Relevant Issues Concerning the "Beneficial Owners" in Tax Treaties issued on February 3, 2018 by the SAT and effective from April 1, 2018, comprehensive analysis based on the stipulated factor therein and actual circumstances shall be adopted when recognizing the "beneficial owner" and agents and designated wire beneficiaries are specifically excluded from being recognized as "beneficial owners".



***Value-added Tax***

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC and its implementation regulations, unless otherwise stipulated by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchases can be offset against such output VAT.

VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Certain small taxpayers under PRC law are subject to reduced value-added tax at a rate of 3%.

On April 4, 2018, the MOF and the SAT issued the Notice on Adjustment of VAT Rates, which took effect on May 1, 2018 and provides that the taxable goods previously subject to VAT rates of 17% and 11% respectively are 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 Value-added Tax Reform jointly promulgated by the MOF, the SAT and the General Administration of Customs, which became effective on April 1, 2019, the taxable goods previously subject to VAT rates of 16% and 10% respectively become subject to lower VAT rates of 13% and 9% respectively starting from April 1, 2019.

***M&A Rules and Overseas Listings***

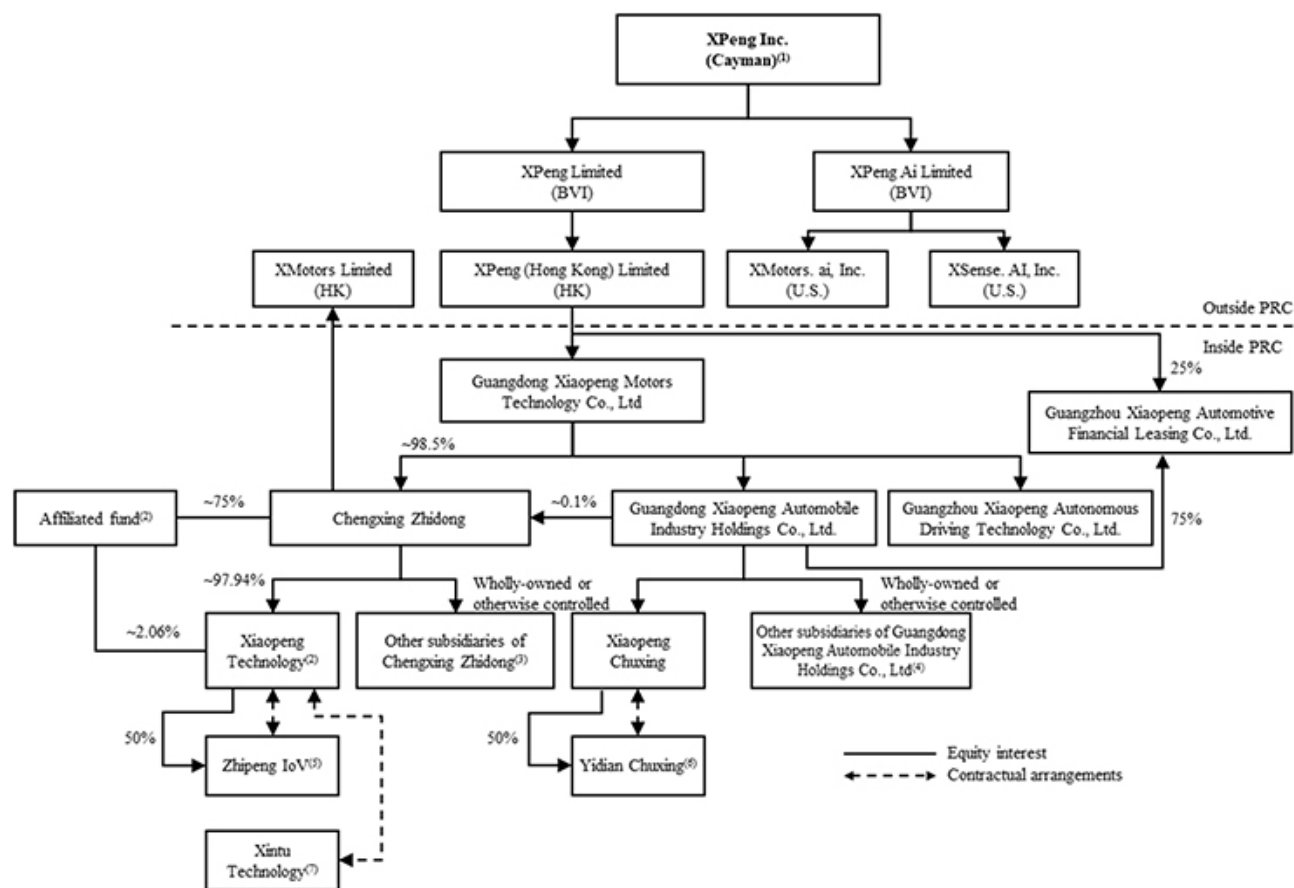
On August 8, 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission, or the CSRC, adopted the Regulations on Mergers of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors 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 operate 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 the CSRC prior to publicly listing their securities on an overseas stock exchange.

Furthermore, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which were available to the public on July 6, 2021 and emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), both of which were open for public comments till January 23, 2022. Under these draft new rules, a filing-based regulatory system will be applied to both “direct overseas offering and listing” and “indirect overseas offering and listing” of PRC domestic companies. The “indirect overseas offering and listing” of PRC domestic companies refers to such securities offering and listing in an overseas market made in the name of an offshore entity, but based on the underlying equity, assets, earnings or other similar rights of a domestic company which operates its main business domestically. If the issuer meets the following conditions, the offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) the total assets, net assets, revenues or profits of the domestic operating entity or entities of the issuer in the most recent accounting year account for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; (ii) most of the senior managers in charge of business operation and management of the issuer are Chinese citizens or have domicile in China, and its main places of business are located in China or main business activities are conducted in China. Domestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedure with the CSRC, and, among others, shall strictly comply with laws and regulations and relevant provisions concerning national security in spheres of foreign investment, cybersecurity, and data security, and earnestly fulfill their obligations to protect national security. The Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) provide that an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing falls under specific clauses in national laws and regulations and relevant provisions prohibiting such financing activities; (ii) if the intended securities offering and listing in overseas market may constitute a threat to or endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if there are material ownership disputes over equity, major assets, and core technology, etc.; (iv) if, in recent three years, the domestic company or its controlling shareholders and actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations; (v) if, in recent three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigations for suspicion of criminal offenses or under investigations for suspicion of major violations; or (vi) other circumstances as prescribed by the State Council. The Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) require that where an issuer makes an application for initial public offering and listing in an overseas market, the filing entity shall submit to the CSRC filing documents, which include but are not limited to those specified below, within 3 working days after such application is submitted: (i) filing reports and associated undertakings; (ii) regulatory opinions, filings or approval and related documents issued by competent industry authorities (where applicable); (iii) opinions issued by competent authorities on security assessment and review of the issuer (where applicable); (iv) legal opinions provided by a domestic law firm; and (v) a prospectus. For violations of these provisions or measures, the CSRC and other competent authorities under the State Council may impose administrative regulatory measures, such as order for correction, regulatory talks and warning letters, proportionate to the severity of the violations, and may pursue legal liability in accordance with law. As of the date of this annual report, it is still uncertain when the final versions of these new provisions and measures will be issued and take effect, how they will be enacted, interpreted or implemented, and whether they will affect us.

### **C. Organizational Structure**

The following diagram illustrates our corporate structure as of December 31, 2021. Certain entities that are immaterial to our results of operations, business and financial condition are omitted. Except as otherwise specified, equity interests depicted in this diagram are held as to 100%.



- (1) Investors in our Class A ordinary shares and ADSs are purchasing equity interest in XPeng Inc.
- (2) We have the option to acquire the remaining 0.5% equity interest in Guangzhou Xiaopeng Motors Technology Co., Ltd., or 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.
- (3) Includes (i) 100 subsidiaries that are wholly-owned by Guangdong Chengxing Zhidong Automotive Technology Co., Ltd., or Chengxing Zhidong, (ii) five subsidiaries and two limited partnerships of which a majority equity interest is held by Chengxing Zhidong, and (iii) Zhaoqing Xiaopeng New Energy Investment Co., Ltd., or Xiaopeng New Energy, of which 50% equity interest was held by Chengxing Zhidong as of December 31, 2021. Chengxing Zhidong and its subsidiaries are primarily involved in research and development, manufacturing and selling our Smart EVs and providing after-sales services. In January 2022, we acquired the remaining 50% equity interest in Xiaopeng New Energy, which has become our wholly-owned subsidiary. Xiaopeng New Energy holds an Enterprise Investment Project Filing Certificate of Guangdong Province for the Zhaoqing plant and has been listed in Announcement of the Vehicle Manufacturers and Products issued by the MIIT, which enables it to be a qualified manufacturer of EVs.
- (4) Includes (i) ten 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.
- (5) 50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia, our co-founder, executive director and president, and Mr. Tao He, our co-founder and senior vice president, hold 40% and 10% of equity interest in Zhipeng IoV, respectively.
- (6) 50% of equity interest in Yidian Chuxing is held by us, and Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, and Mr. Heng Xia hold 40% and 10% of equity interest in Yidian Chuxing, respectively.

- (7) Xintu Technology is wholly owned by Guangzhou Kuntu Technology Co., Ltd., or Kuntu Technology. The ultimate holding company of Kuntu Technology is Guangzhou Chengpeng Technology Co., Ltd., in which Mr. Heng Xia and Mr. Tao He hold 80% and 20% equity interest, respectively.

### **Contractual Arrangements with the Group VIEs and Their Shareholders**

XPeng Inc. is a Cayman Islands holding company, and the Group's operations are primarily conducted by its subsidiaries in China and through contractual arrangements with the Group VIEs. Under the PRC laws and regulations, the provision of value-added telecommunication service in the PRC is subject to foreign investment restrictions and license requirements. Therefore, we operate such business in China through Zhipeng IoV and Yidian Chuxing. Under the PRC laws and regulations, the operation of land surface mobile surveying and preparation of true three-dimensional maps and navigation electronic maps is subject to foreign investment prohibitions and license requirements. Therefore, we operated such business in China through Xintu Technology and its subsidiary, which is Jiangsu Zhipeng Kongjian Information Technology Co., Ltd., or Zhipeng Kongjian (formerly known as Jiangsu Zhitu Technology Co., Ltd.).

Currently, the Group VIEs are (i) Guangzhou Zhipeng IoV Technology Co., Ltd., or 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; (ii) Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., or Yidian Chuxing, which is primarily engaged in the business of provision of online-hailing services through online platform including the Youpeng Chuxing App; and (iii) Guangzhou Xintu Technology Co., Ltd., or Xintu Technology. Zhipeng Kongjian, which is Xintu Technology's wholly-owned subsidiary, primarily engaged in the operation of land surface mobile surveying and preparation of true three-dimensional maps and navigation electronic maps and is in the process of renewing the Surveying and Mapping Qualification Certificate. Zhipeng IoV and Yidian Chuxing enables the Group to operate mobile apps, which is important to our ability to offer a convenient customer experience. After the Surveying and Mapping Qualification Certificate is renewed, we plan to develop mapping and navigation solutions that will improve customers' driving experience.

We have entered into a series of contractual arrangements with each of the Group VIEs and the respective affiliate shareholders of the Group VIEs, as described in more details below, including (i) power of attorney agreements, equity interest pledge agreements and loan agreements, which provide us with effective control over the Group VIEs; (ii) exclusive service agreements, which allow us to receive substantially all of the economic benefits from the Group VIEs; and (iii) exclusive option agreements, which provide us with exclusive options to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into the Group VIEs when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we are the primary beneficiary of the Group VIEs for accounting purposes. We have consolidated their financial results in our consolidated financial statements. We primarily operate our business through our subsidiaries in China, and the Group VIEs do not have a material contribution to the Group's results of operations and the Group VIEs do not support material revenues reported within other subsidiaries of our company.

In the opinion of Fangda Partners, our PRC legal counsel:

- the ownership structures of Xiaopeng Technology, Xiaopeng Chuxing and our consolidated VIEs in China do not and will not violate any applicable PRC law, regulation, or rule currently in effect; and
- 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.

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations related to the contractual arrangements. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure."

All the agreements under our contractual arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. For additional information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely in part on contractual arrangements with Zhipeng IoV, Yidian Chuxing and the respective affiliate shareholders of such Group VIEs to operate the value-added telecommunications business. We rely on contractual arrangements with Xintu Technology and its affiliate shareholder, which enabled us to operate land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps. Such contractual arrangements may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.”

The following is a summary of the currently effective contractual arrangements by and among (i) Xiaopeng Technology, Zhipeng IoV and its individual shareholders, (ii) Xiaopeng Chuxing, Yidian Chuxing and its individual shareholders and (iii) Xiaopeng Technology, Xintu Technology and its shareholder.

### ***Contractual Arrangements with Zhipeng IoV and its individual shareholders***

#### *Exclusive Service Agreement*

Under the exclusive service agreement executed in September 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 September 6, 2021, and can be automatically renewed for one year every subsequent 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 company as a whole.

#### *Loan Agreement*

Pursuant to the loan agreement executed in September 2021, Xiaopeng Technology has provided the individual shareholders of Zhipeng IoV with a loan in the aggregate amount of RMB5.0 million to fund business activities as permitted by Xiaopeng Technology. The individual shareholders agree that the proceeds from the transfer of the equity interest of the individual 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 individual 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 in September 2021, each individual 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 individual 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 individual 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 individual shareholders, Xiaopeng 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 individual 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 individual 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 in September 2021, each individual 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 individual 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 individual shareholders' meeting pursuant to the articles of Zhipeng IoV in the capacity of a proxy of the individual shareholders of Zhipeng IoV; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at individual shareholders' meetings and the appointment and election of directors, supervisors and other senior management of Zhipeng IoV to be appointed by the individual shareholders, dispose the company assets, amend the articles of the Group VIEs and exercise the rights of the individual 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 individual shareholders; (iv) to exercise rights of individual shareholders and any other voting rights of individual 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 individual shareholders resolutions when there is a transfer of shareholding in Zhipeng IoV by the individual 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 September 6, 2021, 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 individual 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 in September 2021, Zhipeng IoV and each of Zhipeng IoV's individual 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 individual 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 individual 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 individual shareholders and all of Zhipeng IoV's assets have been transferred or assigned to Xiaopeng Technology or its designated entities or persons.

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Subject to the relevant PRC laws and regulations, each of Zhipeng IoV's individual 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 individual 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 individual 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 its registered capital, or cause it 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 individual 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;
- (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 individual shareholders***

#### *Exclusive Service Agreement*

Under the exclusive service agreement executed in September 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 September 10, 2021, 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. The above arrangements will ensure the economic benefits generated from the operations of Yidian Chuxing will flow to Xiaopeng Chuxing and hence, our company as a whole.

### *Loan Agreement*

Pursuant to the loan agreement executed in September 2021, Xiaopeng Chuxing has provided the individual shareholders of Yidian Chuxing with a loan in the aggregate amount of RMB5.0 million to fund business activities as permitted by Xiaopeng Chuxing. The individual shareholders agree that the proceeds from the transfer of the equity interest of the individual 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 individual 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 in September 2021, each individual 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 individual 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 Yidian Chuxing or any of its individual 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 individual 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 individual 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 individual 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 in September 2021, each individual 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 individual 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 individual shareholders' meeting pursuant to the articles of Yidian Chuxing in the capacity of a proxy of the individual shareholders of Yidian Chuxing; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at individual shareholders' meetings and the appointment and election of directors, supervisors and other senior management of Yidian Chuxing to be appointed by the individual shareholders, dispose the company assets, amend the articles of the Group VIEs and exercise the rights of the individual shareholders in the event of liquidation of the Group 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 individual shareholders; (iv) to exercise rights of individual shareholders and any other voting rights of individual 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 individual shareholders resolutions when there is a transfer of shareholding in Yidian Chuxing by the individual 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 September 10, 2021, 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 Yidian Chuxin or its individual 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 in September 2021, Yidian Chuxing and each of Yidian Chuxing's individual 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 individual 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 individual 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 individual 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 individual 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 individual 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 individual 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 individual 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;
- (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.

## ***Contractual Arrangements with Xintu Technology and Its Shareholder***

### ***Exclusive Service Agreement***

Under the exclusive service agreement executed in August 2021, Xintu Technology appoints Xiaopeng Technology as its exclusive services provider to provide Xintu Technology with services related to Xintu Technology's business during the term of the exclusive service agreement. In consideration of the services provided by Xiaopeng Technology, Xintu Technology 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 August 12, 2021, and can be automatically renewed for one year every subsequent year unless otherwise terminated 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 Xintu Technology 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 Xintu Technology will flow to Xiaopeng Technology and hence, our company as a whole.

### ***Loan Agreement***

Pursuant to the loan agreement executed in August 2021, Xiaopeng Technology should provide the shareholder of Xintu Technology with a loan in the aggregate amount of RMB2.0 million to fund business activities as permitted by Xiaopeng Technology. The shareholder agrees that the proceeds from the transfer of the equity interest of the shareholder in Xintu Technology, 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 shareholder 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 Xintu Technology'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 in August 2021, the shareholder of Xintu Technology has pledged all of its equity interest in Xintu Technology as a security interest, as applicable, to respectively guarantee Xintu Technology and its shareholder's 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 Xintu Technology or its shareholder 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 Xintu Technology's shareholder, Xiaopeng 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 Xintu Technology from the proceeds from auction or sale of the equity interest. The shareholder of Xintu Technology 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. Xintu Technology's shareholder 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 in August 2021, the shareholder of Xintu Technology 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 shareholder of Xintu Technology 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 Xintu Technology according to the articles of association of Xintu Technology, including but not limited to, the rights to (i) convene and participate in shareholders' meeting pursuant to the articles of Xintu Technology in the capacity of a proxy of the shareholder of Xintu Technology; (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 Xintu Technology to be appointed by the shareholder, dispose the company assets, amend the articles of the Group VIEs and exercise the rights of the shareholder in the event of liquidation of Xintu Technology; (iii) sign or submit any required document to any company registry or other authorities in the capacity of a proxy of the shareholder; (iv) to exercise rights of the shareholder and any other voting rights of the shareholder under the relevant PRC laws and regulations and the articles of associations of Xintu Technology, 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 individual shareholders resolutions when there is a transfer of shareholding in Xintu Technology by the shareholder in accordance with exclusive option agreement, assets transfer, capital reduction or capital increase in Xintu Technology; 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 August 12, 2021, 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 Xintu Technology or its shareholder 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 in August 2021, Xintu Technology and its shareholder 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 Xintu Technology then held by shareholder, and the assets of Xintu Technology, 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 Xintu Technology shall equal to the amount of relevant registered capital contributed by the shareholder in Xintu Technology while the purchase price for the assets of Xintu Technology 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 Xintu Technology held by its shareholder and all of Xintu Technology's assets have been transferred or assigned to Xiaopeng Technology or its designated entities or persons.

Subject to the relevant PRC laws and regulations, Xintu Technology's shareholder has also undertaken that it 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 Xintu Technology.

Further, pursuant to the exclusive option agreement, Xintu Technology and its shareholder 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 shareholder 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) Xintu Technology shall not increase or reduce its registered capital, or cause it to merge with other entity;
- (3) Xintu Technology shall not dispose of any material assets (other than in its ordinary course of business);

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- (4) Xintu Technology shall not terminate any material contract or enter into any contract that will conflict with existing material contracts;
- (5) The shareholder shall not appoint or remove any director, supervisor or any other officer that should be appointed by them;
- (6) Xintu Technology shall not distribute any distributable profit, bonus or dividend;
- (7) Xintu Technology 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;
- (8) Xintu Technology shall not amend its articles; and
- (9) Xintu Technology 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.

### **Transfer of Equity Interest in Xiaopeng New Energy**

Prior to January 2022, each of (i) Zhaoqing Xiaopeng Automobile Co., Ltd., or Zhaoqing Xiaopeng, which is a wholly-owned subsidiary of the Company, and (ii) Zhaoqing Kunpeng Motor Technology Co., Ltd., or Zhaoqing Kunpeng, which is jointly owned by Mr. Heng Xia and Mr. Tao He, held 50% of the equity interest of Zhaoqing Xiaopeng New Energy Investment Co., Ltd., or Xiaopeng New Energy. Pursuant to a share transfer agreement between Zhaoqing Xiaopeng and Zhaoqing Kunpeng dated February 13, 2020, Zhaoqing Kunpeng shall transfer the 50% of the equity interest of Xiaopeng New Energy to Zhaoqing Xiaopeng at the price of the higher of (i) RMB1 or (ii) the capital injection actually paid by Zhaoqing Kunpeng upon the earlier of (i) the removal of the PRC foreign investment restrictions in whole-unit vehicle industry; and (ii) December 31, 2022. In January 2022, Zhaoqing Kunpeng transferred all of its equity interest in Xiaopeng New Energy to Zhaoqing Xiaopeng. As a result, Xiaopeng New Energy has become our wholly-owned subsidiary. Xiaopeng New Energy holds an Enterprise Investment Project Filing Certificate of Guangdong Province for the Zhaoqing plant and has been listed in Announcement of the Vehicle Manufacturers and Products issued by the MIIT, which enables it to be a qualified manufacturer of EVs.

### **Yuecai Investment in Chengxing Zhidong**

On March 12, 2021, a capital increase agreement was entered into among Chengxing Zhidong, Xiaopeng Motors, Guangdong Xiaopeng Automotive Industry Holding Co., Ltd. and Guangdong Yuecai Industrial Investment Fund Partnership Enterprise (Limited Partnership), or Yuecai. Pursuant to the capital increase agreement, Yuecai subscribed for 0.3% equity interest in Chengxing Zhidong for an aggregate consideration of RMB500 million. If an affiliated entity of Chengxing Zhidong, including but not limited to XPeng Inc. or Xiaopeng Motors, completes a public listing within three years from the settlement of the capital increase, the parties may agree to exchange all or a portion of Yuecai's equity interest in Chengxing Zhidong for shares in the publicly listed entity based on the public offering price. If such public listing does not take place within three years from the settlement of the capital increase, Chengxing Zhidong may repurchase Yuecai's equity interest for RMB500 million and an interest based on an agreed annualized rate of 6%.

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

Please refer to "B. Business Overview—Facilities" for a discussion of our property, plants and equipment.

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

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

## **A. Operating Results**

### **Overview**

We are a leading Chinese Smart EV company that designs, develops, manufactures, and markets Smart EVs that appeal to the large and growing base of middle-class consumers in China. Since inception, 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.

Our Smart EVs appeal to the large growing base of 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 RMB400,000. Consumers choose our products primarily because of attractive design, interactive smart mobility experience and long driving range.

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.

- In December 2018, we started delivery of the G3, which is our first Smart EV and a compact SUV.
- In May 2020, we started delivery of the P7, which is our second Smart EV and a sports sedan.
- In March 2021, we started delivery of the P7 Wing, which is 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 newer 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 unveiled the P5, which is our third Smart EV and a family sedan, and started delivery in September 2021.
- In July 2021, we introduced the G3i, which is the mid-cycle facelift version of the G3, and started delivery in August 2021.
- As of December 31, 2021, we had delivered 54,457 units of the G3 (including G3i), 75,631 units of the P7 and 7,865 units of the P5.
- We have a strong pipeline of new Smart EVs. In November 2021, we unveiled the G9 and the official launch of the G9 is expected in the third quarter of 2022.

We currently offer the following models:

- G3i (compact SUV), with a wheelbase of 2,625 mm and NEDC range between 460 km and 520 km.
- P7 (sports sedan), with a wheelbase of 2,998 mm and NEDC range between 480 km and 706 km.

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- P7 Wing (sports sedan), with a wheelbase of 2,998 mm and NEDC range between 562 km and 670 km.
- P5 (family sedan), with a wheelbase of 2,768 mm and NEDC range between 460 km and 600 km.

We seek to continuously expand our customer reach by extending our online and physical sales and service network. We employ an omni-channel sales model and we strive to ensure consistent brand image, customer experience and price across all sales channels. As of December 31, 2021, our physical sales and service network consisted of a total of 357 stores and 117 service centers, covering 140 cities in China. In addition, we actively engage in online marketing through various channels to further enhance our brand recognition and customer acquisition.

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. As of December 31, 2021, there were 772 XPeng-branded super charging stations, covering 308 cities in China.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We manufacture the G3i, the new mid-cycle facelift version of the G3, the P7 and the P5 at our own plant in Zhaoqing, Guangdong province. In addition, we are constructing new Smart EV manufacturing bases in Guangzhou and Wuhan.

Our total revenue grew rapidly from RMB2,321.2 million in 2019 to RMB5,844.3 million in 2020, and further to RMB20,988.1 million in 2021. Our Smart EV deliveries increased from 12,728 units in 2019 to 27,041 units in 2020, and further to 98,155 units in 2021, representing a year-on-year growth rate of 263.0% between 2020 and 2021. Along with strong revenue growth, our gross profit margin increased from negative 24.0% in 2019 to 4.6% in 2020, and 12.5% in 2021.

### **Our 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 launched two Smart EV models, and we plan to continuously introduce new models and facelifts 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 ADAS software and content monetization, in relation to our Smart EVs. 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 several service offerings. Furthermore, we build a smart connectivity ecosystem through our in-car app store, which allows our customers to conveniently access services and content offered by our business partners.

### **General Factors Affecting the Group's 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;

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- 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 ADAS 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 the Group's business and result of operations.

### **Specific Factors Affecting the Group's Results of Operations**

Besides the general factors affecting China's Smart EV market, the Group's 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 middle-class consumers. We strive to enhance brand recognition among our target customers by consistently delivering smart and upgradable EVs as well as a superior customer experience. Enhanced customer satisfaction will help to drive word-of-mouth referrals, which will reduce our customer acquisition costs. 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 online 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 online precision marketing. 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 select European markets. As we continue to develop and launch new 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 launched three Smart EVs, the G3 (including G3i), P7 and P5, and we plan to continuously introduce new models and facelifts to expand our product portfolio and customer base. We expect our revenue growth to be driven in part by the continued expansion of our vehicle 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 ADAS, 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 and tailor our product offerings for Chinese customers. 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 approximately 38% of our total employees as of December 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 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, and we plan to roll out XPILOT 3.5 this year. 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, as we ramp up production volume and achieve economies of scale. We also focus on the efficiency in the manufacturing process, including 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.

## Components of Results of Operations

### Revenues

The following table sets forth a breakdown of the Group's revenues, each expressed in the absolute amount and as a percentage of its total revenues, for the periods indicated:

	Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenues</b>						
Vehicle sales	2,171,231	93.5	5,546,754	94.9	20,041,955	95.5
Services and others	149,988	6.5	297,567	5.1	946,176	4.5
<b>Total</b>	<b>2,321,219</b>	<b>100.0</b>	<b>5,844,321</b>	<b>100.0</b>	<b>20,988,131</b>	<b>100.0</b>

The Group generates revenues from (i) vehicle sales, which represent sales of its Smart EVs, and (ii) services and others, primarily including services embedded in a sales contract, maintenance service, and super charging service.

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 revenue 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. Revenue 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 the Group's cost of sales, expressed as an absolute amount and as a percentage of its total revenues, for the periods indicated:



	Year Ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Cost of sales</b>						
Vehicle sales	2,733,531	117.8	5,350,479	91.6	17,733,036	84.5
Services and others	145,829	6.3	227,853	3.9	632,540	3.0
<b>Total</b>	<b>2,879,360</b>	<b>124.1</b>	<b>5,578,332</b>	<b>95.5</b>	<b>18,365,576</b>	<b>87.5</b>

Cost of vehicle sales primarily includes direct parts, materials, labor cost and manufacturing overheads, including depreciation of assets associated with production, and reserves for estimated warranty expenses. Cost of services and others primarily includes cost of direct parts, materials, depreciation of associated assets used for providing the services, labor costs and installment costs.

#### **Research and development expenses**

The Group's research and development expenses primarily consist of (i) employee compensation, representing salaries, benefits, share-based compensation and bonuses for its 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.

The Group's research and development expenses are mainly driven by the number of its research and development personnel, as well as the stage and scale of its vehicle development and the development of its key software and hardware technologies. The Group dedicates significant resources towards research and development, and its research and development staff accounted for approximately 38% of its total employees as of December 31, 2021.

#### **Selling, general and administrative expenses**

The following table sets forth a breakdown of the Group's 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,

	2019		2020		2021	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Selling, general and administrative expenses</b>						
Selling expenses	668,602	57.4	1,737,765	59.5	4,276,366	80.6
General and administrative expenses	495,967	42.6	1,182,884	40.5	1,029,067	19.4
<b>Total</b>	<b>1,164,569</b>	<b>100.0</b>	<b>2,920,649</b>	<b>100.0</b>	<b>5,305,433</b>	<b>100.0</b>

The Group's selling expenses primarily consist of (i) employee compensation, including salaries, benefits, share-based compensation and bonuses for its 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. The Group's general and administrative expenses primarily consist of (i) employee compensation, including salaries, benefits, share-based compensation and bonuses for its general corporate staff, (ii) professional service fees, and (iii) certain other expenses.

The Group's selling, general and administrative expenses are mainly driven by the number of its sales, marketing, general corporate personnel, marketing and promotion activities and the expansion of its sales and service network.

#### **Other income, net**

The Group's other income primarily consists of government subsidies that are not contingent upon the Group's further actions or performance.

**Interest income**

The Group's interest income primarily consists of interest earned on cash deposits in banks.

**Interest expenses**

The Group's interest expenses primarily consist of interest expenses with respect to its bank borrowings and other non-current liabilities.

**Fair value gain (loss) on derivative 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 forward exchange contracts and the redemption rights of our preferred shares.

**Fair value gain (loss) on long-term investments**

Fair value gain or loss on long-term investments consists of net gain or loss from the change in the fair value of long-term investments, which include equity investments, over which the Group has neither significant influence nor control, and debt investments.

**Other non-operating (loss) income, net**

Other non-operating loss or income primarily consist of exchange losses or gains the Group incurs 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 the Companies Act (Revised) of the Cayman Islands and accordingly, are exempted from Cayman Islands income tax. As such, we are not subject to tax on either income or capital gain. 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.

**United States**

The applicable income tax rate of United States where our subsidiaries having significant operations for the years ended December 31, 2019, 2020 and 2021 is 27.98%, which is a blended state and federal rate.

**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 high and new technology enterprises, or 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%. Upon the expiration of qualification, re-accreditation of certification from the relevant authorities is necessary for the enterprise to continue enjoying the preferential tax treatment.

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.

Beijing Xiaopeng Automobile Co., Ltd., one of our subsidiaries, applied for the HNTE qualification and received approval in December 2020. Beijing Xiaopeng 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, 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.

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, and was further extended to December 31, 2023 as the State Tax Bureau of the PRC announced in March 2021.

### **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 annual report. 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.

### **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:

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- 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. There are multiple distinct performance obligations explicitly stated in sales contract including sales of vehicle, free battery 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 battery charging in XPeng-branded super charging stations and lifetime warranty of battery which are defined by the Group's sales policy and 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 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 the relevant application information.

In the instance that some eligible customers select to pay by installments for vehicles or batteries, such arrangement contains a significant financing component and as a result, the transaction price is adjusted to reflect the impact of time value of the transaction price using an applicable discount rate (i.e. the interest rates of the loan reflecting the credit risk of the borrower). We allocate the financing amount to all performance obligations proportionately based on their relative selling prices, as conditions prescribed under ASC 606-10-32-37 are not met.

Receivables related to the vehicle and battery installment payments are recognized as installment payment receivables. The difference between the gross receivable and the respective present value is recorded as unrealized finance income. Interest income resulting from arrangements with a significant financing component is presented as other sales.

The overall contract price of electric vehicle and related products/services 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 battery warranty, given limited operating history and lack of historical data, we recognize revenue over time based on a straight-line method initially. We will continue monitoring the cost patterns periodically and adjust the timing of revenue recognition, as necessary, in order to reflect the difference between actual costs incurred versus the straight-line cost attribution. For the free battery 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 is typically a promise to deliver the underlying service rather than a promise to stand ready. For the services of free battery charging in XPeng-branded super charging stations, we recognize the revenue over time based on a straight-line method during the expected useful life of the vehicle.

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Initial refundable deposits for intention orders and non-refundable deposits for vehicle reservations received from customers prior to vehicle purchase agreements are 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 relating to those unperformed obligations. At the same time, advances from customers are classified as a contract liability (deferred revenue) as part of the consideration.

### Other services

We provide other services to customers, including services embedded in a sales contract, maintenance service, super charging service, technical support services, ride-hailing service, auto financing services and others.

Services embedded in a sales contract may include free battery charging within four 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 battery charging services in XPeng-branded charging station. Other services also include maintenance service, super charging service and technical support service and ride-hailing service. These services are recognized 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, parts replacement service and others, 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 vehicle from the 2019 version ("G3 2019") to its 2020 version ("G3 2020"), we voluntarily offered all owners of G3 2019 the options to either receive loyalty points, valid for five years from 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 G3 2019 had to choose one out of the two options within 30 days after receiving the notice. Anyone who did not make the choice before the date was deemed to forgo the rights to the options. At the time the offers were made, we still had unfulfilled performance obligations for services to the owners of G3 2019 associated with their original purchase. We considered this offering is to improve the satisfaction of the owners of G3 2019 but not the result of any defects or resolving past claims regarding the G3 2019.

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 these additional rights, the contract modification is accounted for as a 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 time of the contract modification. This reallocation is based on the relative stand-alone selling prices of these goods and services.

For the material right attached with loyalty points, we estimated the probability of points redemption when determining the stand-alone selling price. Due to the fact that most merchandises can be redeemed without requiring a significant amount of points, as compared with the amount of points granted to the 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 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 granted on the new vehicle purchase. We estimated the potential forfeiture rate based on the market expectation of the possibility of future buying and applied the forfeiture rate when determining the stand-alone selling price at the date of 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.

#### ***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 or straight-line 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 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 our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our 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. 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 us on the date of grant.

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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 services 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,	
	2019	2020
Expected term (years)	7	7
Exercise price (RMB)	0.0004	0.0004
Fair value of the ordinary shares on the date of option grant (RMB)	8.36 ~ 8.60	8.36 ~ 8.53
Risk-free interest rate	2.66% ~ 3.31%	3.10% ~ 3.31%
Expected dividend yield	0.00%	0.00%
Expected volatility	33.32% ~ 33.56%	33.35% ~ 33.56%

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 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 Black-Scholes model. In our case, three scenarios were assumed, namely: (i) the liquidation scenario, in which the Black-Scholes model was adopted to allocate the value between convertible preferred shares and ordinary shares, and (ii) the redemption scenario, in which the Black-Scholes model 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 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 after the listing of our ADSs on the NYSE.

On June 28, 2020, the board of directors of our company approved the 2019 Equity Incentive 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 2019 Equity Incentive Plan.

In June 2020, we agreed with the relevant 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").

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.

#### 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 and prior to March 31, 2022, 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 IPO, 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

In the year ended December 31, 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 had been 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.

### **Results of Operations for Continuing Operations**



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The following tables set forth a summary of the Group's consolidated results of operations for the periods presented, in absolute amount and as a percentage of our revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,					
	2019		2020		2021	
	RMB	%	RMB	%	RMB	%
(in thousands, except percentages)						
<b>Revenues</b>						
Vehicle sales	2,171,231	93.5	5,546,754	94.9	20,041,955	95.5
Services and others	149,988	6.5	297,567	5.1	946,176	4.5
<b>Total revenues</b>	<b>2,321,219</b>	<b>100.0</b>	<b>5,844,321</b>	<b>100.0</b>	<b>20,988,131</b>	<b>100.0</b>
<b>Cost of sales</b>						
Vehicle sales	(2,733,531)	(117.8)	(5,350,479)	(91.6)	(17,733,036)	(84.5)
Services and others	(145,829)	(6.3)	(227,853)	(3.9)	(632,540)	(3.0)
<b>Total cost of sales</b>	<b>(2,879,360)</b>	<b>(124.1)</b>	<b>(5,578,332)</b>	<b>(95.5)</b>	<b>(18,365,576)</b>	<b>(87.5)</b>
<b>Gross (loss) profit</b>	<b>(558,141)</b>	<b>(24.1)</b>	<b>265,989</b>	<b>4.5</b>	<b>2,622,555</b>	<b>12.5</b>
<b>Operating expenses</b>						
Research and development expenses	(2,070,158)	(89.2)	(1,725,906)	(29.5)	(4,114,267)	(19.6)
Selling, general and administrative expenses	(1,164,569)	(50.2)	(2,920,649)	(50.0)	(5,305,433)	(25.3)
<b>Total operating expenses</b>	<b>(3,234,727)</b>	<b>(139.4)</b>	<b>(4,646,555)</b>	<b>(79.5)</b>	<b>(9,419,700)</b>	<b>(44.9)</b>
Other income, net	12,294	0.5	86,830	1.5	217,740	1.0
<b>Loss from operations</b>	<b>(3,780,574)</b>	<b>(163.0)</b>	<b>(4,293,736)</b>	<b>(73.5)</b>	<b>(6,579,405)</b>	<b>(31.4)</b>
Interest income	88,843	3.8	133,036	2.3	743,034	3.5
Interest expenses	(32,017)	(1.4)	(22,451)	(0.4)	(55,336)	(0.3)
Fair value gain on derivative liabilities	27,679	1.2	1,362,025	23.3	79,262	0.4
Fair value gain on long-term investments	—	—	—	—	591,506	2.8
Other non-operating income, net	4,397	0.2	90,364	1.5	383,833	1.8
<b>Loss before income tax expenses</b>	<b>(3,691,672)</b>	<b>(159.2)</b>	<b>(2,730,762)</b>	<b>(46.8)</b>	<b>(4,837,106)</b>	<b>(23.2)</b>
Income tax expenses	(1)	(0.0)	(1,223)	(0.0)	(25,990)	(0.1)
<b>Net loss</b>	<b>(3,691,673)</b>	<b>(159.2)</b>	<b>(2,731,985)</b>	<b>(46.8)</b>	<b>(4,863,096)</b>	<b>(23.3)</b>

### Year Ended December 31, 2021 compared to year ended December 31, 2020

**Revenues.** The Group's revenues increased from RMB5,844.3 million in 2020 to RMB20,988.1 million in 2021, which was primarily due to an increase in revenues from vehicle sales. The Group recorded revenues from vehicle sales of RMB20,042.0 million in 2021, as compared to RMB5,546.8 million in 2020. The increase was mainly due to higher sales volume in 2021. We delivered a total of 27,041 units of the G3 and the P7 to customers in 2020, and a total of 98,155 units of the G3 (including G3i), the P7 and the P5 in 2021. The Group recorded revenues from services and others of RMB946.2 million in 2021, as compared to RMB297.6 million in 2020. The increase was mainly attributable to the increase in sales of services, parts and accessories, which is in line with the increase in accumulated vehicle sales.

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*Cost of sales.* The Group's cost of sales increased from RMB5,578.3 million in 2020 to RMB18,365.6 million in 2021. Such increase was mainly due to the increase of vehicle deliveries. The Group recorded cost of sales from vehicle sales of RMB17,733.0 million in 2021, as compared to RMB5,350.5 million in 2020. The Group recorded cost of sales from services and others of RMB632.5 million in 2021, as compared to RMB227.9 million in 2020.

*Gross profit.* The Group's gross profit increased from RMB266.0 million in 2020 to RMB2,622.6 million in 2021, mainly due to expansion of product portfolio, decrease in material costs and improvement of manufacturing efficiency.

*Research and development expenses.* The Group's research and development expenses increased by 138.4% from RMB1,725.9 million in 2020 to RMB4,114.3 million in 2021, primarily due to higher employee compensation as a result of expansion of research and development staff and higher expenses relating to the development of new vehicle models to support future growth.

*Selling, general and administrative expenses.* The Group's selling, general and administrative expenses increased by 81.7% from RMB2,920.6 million in 2020 to RMB5,305.4 million in 2021, primarily due to (i) higher marketing, promotional and advertising expenses to support vehicle sales and (ii) the expansion of our sales network and associated personnel cost and commission to our franchised stores.

*Other income, net.* The Group recorded other income of RMB217.7 million in 2021, as compared to RMB86.8 million in 2020, primarily due to an increase in the government subsidies we received, partially offset by the relocation and disposal cost of RMB132.9 million related to the cessation of contract manufacturing arrangement with Haima.

*Loss from operations.* As a result of the foregoing, the Group incurred a loss from operations of RMB6,579.4 million in 2021, as compared to RMB4,293.7 million in 2020.

*Interest income.* The Group recorded interest income of RMB743.0 million in 2021, as compared to RMB133.0 million in 2020, primarily due to higher cash balances deposited with banks in 2021.

*Interest expenses.* The Group recorded interest expenses of RMB55.3 million in 2021, as compared to RMB22.5 million in 2020, primarily due to an increase in other non-current liabilities.

*Fair value gain on derivative liabilities.* The Group recorded fair value gain on derivative liabilities of RMB79.3 million in 2021, as compared to RMB1,362.0 million in 2020, primarily due to the recognition of fair value gain on the redemption rights of our preferred shares in 2020.

*Fair value gain on long-term investments.* The Group recorded fair value gain on long-term investments of RMB591.5 million in 2021, as compared to nil in 2020 as a result of fair value assessment on the Company's investment in HT Flying Car Inc., or Huitian, after its Series A capital funding.

*Other non-operating income, net.* The Group recorded other non-operating income of RMB383.8 million in 2021, as compared to RMB90.4 million in 2020, primarily due to the increase of exchange gains as a result of appreciation of Renminbi against the U.S. dollar in 2021.

*Net loss.* As a result of the foregoing, the Group incurred a net loss of RMB4,863.1 million in 2021, as compared to RMB2,732.0 million in 2020.

### **Year Ended December 31, 2020 compared to year ended December 31, 2019**

For a discussion of the Group's results of operations for the year ended December 31, 2020 compared with the year ended December 31, 2019, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Year Ended December 31, 2020 Compared to Year Ended December 31, 2019" in our annual report on Form 20-F for the year ended December 31, 2020, filed with the SEC on April 16, 2021.

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

The Group's primary sources of liquidity have been through issuance of preferred shares, ordinary shares and bank borrowings, which have historically been sufficient to meet its working capital and capital expenditure requirements. As of December 31, 2019, 2020 and 2021, the Group had cash and cash equivalent, restricted cash, short-term deposits and short-term investment of a total of RMB2,815.6 million, RMB35,342.1 million, and RMB40,326.7 million, respectively. The Group's restricted cash, which amounted to RMB610.0 million as of December 31, 2021, primarily represents bank deposits for letter of credit, bank acceptance bill and bank notes.

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.

In July and August of 2020, we received cash proceeds of US\$900.0 million from our Series C+ round financing.

In August 2020, we completed our initial public offering 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 were approximately US\$1,655.7 million.

In December 2020, we completed our follow-on 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 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, including 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 July 2021, we completed our listing on the Hong Kong Stock Exchange and public offering of 97,083,300 Class A ordinary shares, raising a total of approximately HK\$15,823.3 million (or US\$2,039.0 million based on an exchange rate of HK\$7.7604 to US\$1.00 as of June 11, 2021) in net proceeds to us after deducting underwriting fees and the offering expenses.

As of December 31, 2021, the Group did not have any short-term borrowings.

We believe that the Group's existing cash and cash equivalents will be sufficient to meet its anticipated working capital requirements, including capital expenditures in the ordinary course of business for at least the next 12 months. 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 the Group has 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.

The following table sets forth a summary of the Group's cash flows for the periods presented:

	<b>Year Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>(RMB in thousands)</b>		
<b>Summary Consolidated Cash Flow Data:</b>			
Net cash used in operating activities	(3,562,765)	(139,766)	(1,094,591)
Net cash provided by (used in) investing activities	740,296	(4,406,161)	(33,075,878)
Net cash provided by financing activities	3,593,562	34,329,793	14,627,093
Cash, cash equivalents and restricted cash at beginning of the year	1,631,525	2,407,743	31,541,533
Cash, cash equivalents and restricted cash at end of the year	2,407,743	31,541,533	11,634,881

### **Operating Activities**

Net cash used in operating activities was RMB1,094.6 million in 2021, primarily due to net loss of RMB4,863.1 million, adjusted to add back depreciation of property, plant and equipment of RMB573.2 million, share-based compensation of RMB379.9 million, amortization of right-of-use assets of RMB229.0 million, inventory write-downs of RMB162.4 million, and to deduct fair value gain on long-term investments of RMB591.5 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 installment payment receivables of RMB2,247.1 million primarily due to the increase in sales volume, (ii) an increase in inventory of RMB1,940.2 million in relation to materials for volume production and finished goods and (iii) an increase in accounts and notes receivables of RMB1,560.8 million in relation to the government subsidies that we are entitled to receive, 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 accounts and notes payable of RMB7,250.4 million primarily in relation to the grace period we enjoyed for the payments payable to third party suppliers.

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 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.

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.

#### ***Investing Activities***

Net cash used in investing activities in 2021 was RMB33,075.9 million, which was primarily attributable to (i) placement of short-term deposits of RMB24,899.4 million, (ii) placement of long-term deposits of RMB3,157.9 million, (iii) purchase of property, plant and equipment of RMB2,299.7 million and (iv) prepayment for acquisition of land use rights of RMB1,507.2 million.

Net cash used in investing activities in 2020 was RMB4,406.2 million, which was primarily attributable to (i) placement of 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 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.

#### ***Financing Activities***

Net cash provided by financing activities in 2021 was RMB14,627.1 million, which was primarily attributable to (i) proceeds from the global offering of RMB13,146.8 million in relation to the public offering of our Class A ordinary shares and listing on the Hong Kong Stock Exchange in July 2021 and (ii) proceeds from non-controlling interests of RMB1,660.0 million, partially offset by repayment of borrowings of RMB982.9 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.

### Capital Expenditures

The Group made capital expenditures of RMB2,008.4 million, RMB1,362.4 million and RMB4,341.2 million in 2019, 2020 and 2021, respectively. In these years, the Group's capital expenditures were used primarily for the construction of plants and purchase of manufacturing equipment and land use rights. The Group expects to make capital expenditures primarily on the construction of plants and purchase of equipment and land use rights in relation to our new Smart EV manufacturing bases, as well as mold and tooling for new vehicle models.

### Contractual Obligations

The following table set forth the Group's indebtedness and contractual obligations as of December 31, 2021:

	Payment due by period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 Years
	(RMB in thousands)				
Short-term and long-term borrowings	1,675,106	—	—	65,434	1,609,672
Operating lease liabilities	1,806,289	441,012	602,137	364,454	398,686
Capital commitments for property, plant and equipment	1,241,759	1,241,759	—	—	—
Interest on borrowings	604,401	83,901	168,032	164,333	188,135
Purchase commitments for raw materials	5,312,557	5,156,796	116,433	38,959	369
Capital commitments for investments	20,000	20,000	—	—	—
<b>Total</b>	<b>10,660,112</b>	<b>6,943,468</b>	<b>886,602</b>	<b>633,180</b>	<b>2,196,862</b>

### Holding Company Structure

The Group began its operations in 2015 through Chengxing Zhidong. The Group undertook the Reorganization to facilitate our initial public offering in the United States. As part of the Reorganization, the Group incorporated XPeng Inc., its holding company in December 2018. As a transitional arrangement of the Reorganization, Xiaopeng Motors, our wholly owned subsidiary, entered into a series of contractual agreements with Chengxing Zhidong and its shareholders in September 2019, pursuant to which Xiaopeng Motors exercised effective control over the operations of Chengxing Zhidong. In May 2020, Xiaopeng Motors completed its purchase of 100% equity interest in Chengxing Zhidong. Consequently, Chengxing Zhidong became an indirect wholly owned subsidiary of XPeng Inc.

XPeng Inc., the Group's holding company, has no material operations of its own. The Group conducts its operations primarily through its subsidiaries, the Group VIEs and their subsidiaries in China. As a result, XPeng Inc.'s ability to pay dividends depends upon dividends paid by the Group's PRC subsidiaries. If the Group's 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 the Group. In addition, the Group's subsidiaries in China are permitted to pay dividends to the Group only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of the Group's subsidiaries, the Group 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, the Group's 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 the Group 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.

## **Inflation**

Since inception, inflation in China has not materially affected the Group's 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 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5% respectively. Although the Group has not been materially affected by inflation in the past, it may be affected if China experiences higher rates of inflation in the future.

## **Recent Accounting Pronouncements**

Please see Note 3 to our consolidated financial statements included elsewhere in this annual report.

## **Off-Balance Sheet Arrangements**

The Group has not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. The Group has not entered into any derivative contracts that are indexed to its shares and classified as shareholder's equity or that are not reflected in the Group's consolidated financial statements. Furthermore, the Group does 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. The Group does not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Group or engages in leasing, hedging or product development services with the Group.

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

Technological innovation is critical to our success, and we strategically develop most of key technologies in-house, such as ADAS, intelligent operating system, powertrain and E/E architecture. We have been and will continue to invest heavily on our research and development efforts.

The Group's research and development expenses were RMB2,070.2 million, RMB1,725.9 million, and RMB4,114.3 million in 2019, 2020 and 2021, respectively.

See "Item 4. Information of the Company—B. Business Overview—Our Technologies" and "Item 4. Information of the Company—B. Business Overview—Research and Development."

## **D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material effect on our total net revenues, income, profitability, liquidity or capital reserves, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

## **E. Critical Accounting Estimates**

See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Critical Accounting Policies and Estimates."

## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **A. Directors and Senior Management**

#### **Directors and Executive Officers**

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

<u>Name</u>	<u>Age</u>	<u>Position</u>
Xiaopeng He	44	Co-founder, Chairman, Executive Director and Chief Executive Officer
Heng Xia	38	Co-founder, Executive Director and President
Yingjie Chen	45	Non-executive Director
Qin Liu	49	Non-executive Director
Ji-Xun Foo	53	Non-executive Director
Fei Yang	64	Non-executive Director
Donghao Yang	50	Independent Non-executive Director
Fang Qu	37	Independent Non-executive Director
HongJiang Zhang	61	Independent Non-executive Director
Hongdi Brian Gu	49	Honorary Vice Chairman of the Board and President
Tao He	36	Co-founder and Senior Vice President
Qinghong Liao	47	Vice President of Sales and Services
Hsueh-Ching Lu	58	Vice President of Finance and Accounting
Xinzhou Wu	46	Vice President of Autonomous Driving
Jack Han Xu	71	Vice President of Automotive Research and Development
Ping Jiang	66	Vice President of Manufacturing
Minghui Liu	54	Vice President of Powertrain

**Xiaopeng He** is our co-founder, executive director, chairman 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 company, Mr. He served at Alibaba Group Holding Limited, 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 Holding Limited.

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 in January 2020.

**Heng Xia** 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., or 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 in January 2020.



**Yingjie Chen** is a non-executive director of our company. Mr. Chen joined Alibaba Group Holding Limited, a company listed on the Hong Kong Stock Exchange (stock code: 9988) and the NYSE (symbol: BABA) in December 2012. Mr. Chen currently serves as the senior investment director of Alibaba Group Holding Limited. Mr. Chen has been serving as a non-independent director of DBAPP Security Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 688023) since May 7, 2020. Prior to joining Alibaba Group Holding Limited, Mr. Chen was a senior manager in the corporate finance department of PricewaterhouseCoopers from 2007 to 2012 and a vice president of investment of Shandong Datong Hongye Group from 2004 to 2007. Mr. Chen was an auditor of Arthur Andersen from 1999 to 2004. Mr. Chen graduated from Shanghai University of Finance and Economics with a bachelor's degree in accounting in July 1999. He is qualified as a Certified Public Accountant in Canada.

**Qin Liu** is a non-executive director of our company. Mr. Liu co-founded 5Y Capital (formerly known as Morningside Venture Capital) in June 2007. 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** is a non-executive director of our company. 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** is a non-executive Director of our company. 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. 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.

**Donghao Yang** is an independent non-executive director of our company. 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** is an independent non-executive director of our company. Prior to joining our company, 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 Wena Culture. Prior to working at Wena 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. Ms. Qu received her bachelor's degree in international journalism and communication from Beijing Foreign Studies University in July 2006.

**HongJiang Zhang** is an independent non-executive director of our company. 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., a company listed on the Shenzhen Stock Exchange (stock code: 000034) from September 2017 to April 2021. 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.

**Hongdi Brian Gu** is our honorary vice chairman of our board of directors and president. Dr. Gu currently holds directorships in other members of the Group. Prior to joining the 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. 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** 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 in January 2020.

**Qinghong Liao** is our vice president of sales and services. Prior to joining the 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** is our vice president of finance and accounting. Prior to joining the 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.

**Xinzhou Wu** is our vice president of autonomous driving and the director of our ADAS center. He also currently serves as a director and chief executive officer of a member of the Group. Prior to joining the 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.

**Jack Han Xu** is our vice president of automotive research and development. Prior to joining the 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 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 in June 2020.

**Ping Jiang** is our vice president of manufacturing. Prior to joining the 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 in April 2014.

**Minghui Liu** is our vice president of powertrain. Prior to joining the 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 in January 2014.

## **B. Compensation**

### **Compensation**

In 2021, we paid aggregate cash compensation of RMB14.9 million to our directors and executive officers as a group. We did not pay any other cash compensation or benefits in kind to our directors and executive officers. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. Our board of directors may determine compensation to be paid to the directors and the executive officers. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors and the executive officers.

For information regarding share awards granted to our directors and executive officers, see “—Share Incentive Plan.”

### **Employment Agreements and Indemnification Agreements**

We have entered into employment agreements with each of our executive officers. Under these agreements, our executive officers are typically employed for a specified time period. We may terminate employment for cause, at any time, without advance notice, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime, or serious breach of duty of loyalty to us. We may also terminate an executive officer's employment without cause pursuant to applicable law of the jurisdiction where the executive officer is based. Executive officers typically may resign at any time with a 30-day advance written notice.

Executive officers have agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our business partners, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations.

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In addition, executive officers have agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and for a period of time following the last date of employment. Specifically, executive officers have agreed not to (i) represent himself or herself as being in any way, connected with or interested in our business; (ii) be engaged in, or concerned directly or indirectly in any capacity, in any business concern which is in competition with our business; (iii) contact and influence our suppliers, customers or other third parties who have business relationships with us; or (iv) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the 12 months preceding such termination.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we may agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

### **Share Incentive Plan**

In June 2020, XPeng Inc. adopted a share incentive plan, which was amended and restated in August 2020 and further amended and restated in June 2021, or the Plan, which allows us to grant restricted shares, RSUs and other equity awards to our employees, directors and consultants. The maximum number of ordinary shares that may be subject to equity awards pursuant to the Plan, or the share reserve, was initially set at 161,462,100.

### **Administration**

The Plan is administered by the ESOP committee established by our board of directors. The administrator will determine the terms and conditions of each equity award.

### **Change in Control**

In the event of a change in control, the administrators may accelerate the vesting, purchase of equity awards from holders and provide for the assumption, conversion or replacement of equity awards.

### **Term**

Unless terminated earlier, the Plan will continue in effect for a term of ten years from the date of its adoption, which is June 28, 2020.

### **Award Agreements**

Equity awards granted under the Plan are evidenced by award agreements that set forth the terms, conditions and limitations for each award, which must be consistent with the Plan.

### **Vesting Schedule**

The vesting schedule of each equity award granted under the Plan will be set forth in the award agreement for such equity award.

### **Amendment and Termination**

The Plan may at any time be amended or terminated with the approval of the board.

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### **RSU Grants**

As of March 31, 2022, RSUs which represent 45,200,060 underlying Class A ordinary shares were outstanding (which do not include the Class A ordinary shares underlying the vested RSUs), and 10,100,170 shares underlying such RSUs were held by XPeng Fortune Holdings Limited, which has been established for our share incentive plan. The table below summarizes the outstanding RSUs granted to our directors and executive officers:

<b>Name</b>	<b>Position</b>	<b>Ordinary Shares Underlying Outstanding RSUs granted</b>	<b>Grant Date</b>
Heng Xia	Co-founder, Executive Director and President	*	June 2020
Hongdi Brian Gu	Honorary Vice Chairman of the Board and President	*	June 2020
		*	July 2020
Tao He	Co-founder and Senior Vice President	*	June 2020
Qinghong Liao	Vice President of Sales and Services	*	June 2020
		*	July 2020
		*	January 2022
Hsueh-Ching Lu	Vice President of Finance and Accounting	*	June 2020
		*	July 2020
		*	January 2022
Xinzhou Wu	Vice President of Autonomous Driving	*	June 2020
		*	July 2020
		*	January 2022
Jack Han Xu	Vice President of Automotive Research and Development	*	June 2020
		*	July 2020
		*	January 2022
Ping Jiang	Vice President of Manufacturing	*	June 2020
		*	July 2020
		*	January 2022
Minghui Liu	Vice President of Powertrain	*	June 2020
		*	July 2020
		*	January 2022

\* Less than 1% of our outstanding shares.

### **C. Board Practices**

Our board of directors consists of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors. Under our current memorandum and articles of association, a director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract or any proposed contract or arrangement in which he is interested, and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or proposed contract or arrangement is considered, provided (a) such director has declared the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first considered if he knows his interest then exists, or in any other case at the first meeting of the board after he knows he is or has become so interested, either specifically or by way of a general notice and (b) if such contract or arrangement is a transaction with a related party, such transaction has been approved by the audit committee. The directors may exercise all the powers of the company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whenever money is borrowed or as security for any debt, liability or obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service. Subject to such exceptions specified in the articles of association of our company, 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.

## **Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary duty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- conducting and managing the business of our company;
- representing our company in contracts and deals;
- appointing attorneys for our company;
- select senior management such as managing directors and executive directors;
- providing employee benefits and pension;
- managing our company's finance and bank accounts;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- exercising any other powers conferred by the shareholders meetings or under our memorandum and articles of association, as amended and restated from time to time.

## **Terms of Directors and Executive Officers**

Our directors may be elected by an ordinary resolution of our shareholders, pursuant to our current memorandum and articles of association. Each of our directors will hold office until his or her successor takes office or until his or her earlier death, resignation or removal or the expiration of his or her term as provided in the written agreement with our company, if any. A director will cease to be a director if, among other things, the director (i) dies, or becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind, (iii) resigns his office by notice in writing to us, or (iv) without special leave of absence from our board, is absent from three consecutive board meetings and our directors resolve that his office be vacated. Our officers are elected by and serve at the discretion of the board of directors.

## **Board Committees**

Our board of directors has established an audit committee, a compensation committee, a nomination committee and a corporate governance committee. We have adopted a charter for each of the committees. Each committee's members and functions are described below.

### ***Audit Committee***

Our audit committee consists of Mr. Donghao Yang, Dr. HongJiang Zhang and Mr. Ji-Xun Foo. Mr. Donghao Yang is the chairperson of our audit committee. Mr. Donghao Yang satisfies the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. Each of Mr. Donghao Yang, Dr. HongJiang Zhang and Mr. Ji-Xun Foo satisfies the requirements for an "independent director" within the meaning of Section 303A of the NYSE Listed Company Manual and meets the criteria for independence set forth in Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting the independent auditor;

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- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditors;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and, if material, approving all related party transactions on an ongoing basis;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.



### ***Compensation Committee***

Our compensation committee consists of Mr. Xiaopeng He, Ms. Fang Qu and Dr. HongJiang Zhang. The chairperson of our compensation committee is Ms. Fang Qu. Each of Ms. Fang Qu and Dr. HongJiang Zhang satisfies the requirements for an “independent director” within the meaning of Section 303A of the NYSE Listed Company Manual.

Our compensation committee is responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
- reviewing and evaluating the performance of our directors and senior officers and determining the compensation of our senior officers;
- reviewing and approving our senior officers’ employment agreements with us;
- setting performance targets for our senior officers with respect to our incentive compensation plan and equity-based compensation plans; and
- such other matters that are specifically delegated to the remuneration committee by our board of directors from time to time.

### ***Nomination Committee***

Our nomination committee consists of Mr. Xiaopeng He, Ms. Fang Qu and Dr. HongJiang Zhang. The chairperson of the nomination committee is Dr. HongJiang Zhang. Each of Ms. Fang Qu and Dr. HongJiang Zhang satisfies the requirements for an “independent director” within the meaning of Section 303A of the NYSE Listed Company Manual. 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.

### ***Corporate Governance Committee***

Our corporate governance committee consists of Mr. Donghao Yang, Ms. Fang Qu and Dr. HongJiang Zhang. The chairperson of the corporate governance committee is Mr. Donghao Yang. Each of Mr. Donghao Yang, Ms. Fang Qu and Dr. HongJiang Zhang satisfies the requirements for an “independent director” within the meaning of Section 303A of the NYSE Listed Company Manual.

Our corporate governance committee is responsible for, among other things:

- Developing and reviewing our company’s policies and practices on corporate governance and make recommendations to the board;
- Reviewing and monitoring the training and continuous professional development of directors and senior management;
- Reviewing and monitoring our company’s policies and practices on compliance with legal and regulatory requirements;
- Developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors;
- Reviewing our company’s compliance with certain Hong Kong Listing Rules;
- Reviewing and monitoring whether our company is operated and managed for the benefit of all of its shareholders;

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- Reviewing and monitoring the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest;
- Reviewing and monitoring all risks related to our multiple class voting structure; and
- Reporting 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.

### D. Employees

See “Item 4. Information on the Company—B. Business Overview—Employees.”

### E. Share Ownership

The following table sets forth information as of March 31, 2022 with respect to the beneficial ownership of our ordinary shares by:

- each of our directors and executive officers; and
- each person known to us to beneficially own 5.0% or more of our Class A ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to, or the power to receive the economic benefit of ownership of, the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option or other right or the conversion of any other security. However, these shares are not included in the computation of the percentage ownership of any other person.

As of March 31, 2022, the total number of ordinary shares outstanding was 1,712,828,960, comprising 1,302,982,824 Class A ordinary shares and 409,846,136 Class B ordinary shares, excluding 2,118 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.

	Ordinary Shares Beneficially Owned				
	Class A ordinary shares	Percentage of total Class A ordinary shares	Class B ordinary shares	Percentage of total ordinary shares†	Percentage of aggregate voting power††
<b>Directors and Executive Officers:*</b>					
Xiaopeng He <sup>(1)</sup>	—	—	348,708,257	20.4%	64.6%
Heng Xia <sup>(2)</sup>	12,580	*	61,137,879	3.6%	11.3%
Yingjie Chen <sup>(3)</sup>	—	—	—	—	—
Qin Liu	—	—	—	—	—
Ji-Xun Foo	—	—	—	—	—
Fei Yang	—	—	—	—	—
Donghao Yang	—	—	—	—	—
Fang Qu	—	—	—	—	—
HongJiang Zhang	—	—	—	—	—
Hongdi Brian Gu <sup>(4)</sup>	38,113,462	2.9%	—	2.3%	0.7%
Tao He <sup>(5)</sup>	17,612,580	1.4%	—	1.0%	0.3%
Qinghong Liao	*	*	—	*	*
Hsueh-Ching Lu	*	*	—	*	*
Xinzhou Wu	*	*	—	*	*
Jack Han Xu	*	*	—	*	*
Ping Jiang	*	*	—	*	*
Minghui Liu	*	*	—	*	*
All Directors and Executive Officers as a Group	61,723,948	4.7%	409,846,136	27.6%	77.0%
<b>Principal Shareholders:</b>					
Simplicity and Respect entities <sup>(6)</sup>	—	—	348,708,257	20.4%	64.6%
Alibaba <sup>(7)</sup>	191,918,464	14.7%	—	11.2%	3.6%
IDG entity <sup>(8)</sup>	68,950,175	5.3%	—	4.0%	1.3%
Efficiency Investment Limited <sup>(2)</sup>	12,580	*	61,137,879	3.6%	11.3%

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- † For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after March 31, 2022, by the sum of (i) the total number of ordinary shares issued and outstanding as of March 31, 2022, and (ii) the number of ordinary shares that such person or group has the right to acquire beneficial ownership within 60 days after March 31, 2022.
- †† For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our Class A and Class B ordinary shares as a single class. In respect of matters requiring a shareholder vote, each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to 10 votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.
- \* Less than 1% of our total outstanding shares.
- \*\* The business address for our directors and executive officers is No. 8 Songgang Road, Changxing Street, Cencun, Tianhe District, Guangzhou, Guangdong 510640, People's Republic of China.
- (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. Simplicity Holding Limited and Respect Holding Limited are further described in footnote 5 below.
- (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 a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. Efficiency Investment Limited is wholly owned by Mr. Heng Xia, who is deemed to be the beneficial owner of the shares held by Efficiency Investment Limited.
- (3) Mr. Yingjie Chen was appointed as a director of our company in February 2022.
- (4) Represents (i) 4,000,000 Class A ordinary shares held by Hongdi Brian Gu, (ii) 27,293,960 Class A ordinary shares held by Quack Holding Limited, (iii) 3,038,802 Class A ordinary shares represented by ADSs owned by Quack Holdings Limited, and (iv) 3,780,700 Class A ordinary shares that Hongdi Brian Gu has the right to receive upon the settlement of his RSUs within 60 days after March 31, 2022. Quack Holding Limited is a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at Craigmuir Chambers, Road Town, Tortola VG 1110, British Virgin Islands. Quack Holding Limited is wholly owned by Mr. Hongdi Brian Gu, who is deemed to be the beneficial owner of the shares held by Quack Holding Limited.
- (5) Represents 17,612,580 Class A ordinary shares held by Quality Enterprises Limited. Quality Enterprise Limited is a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. Quality Enterprises Limited is wholly owned by Mr. Tao He, who is deemed to be the beneficial owner of the shares held by Quality Enterprises Limited.
- (6) 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. Simplicity Holding Limited is a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands. Simplicity Holding Limited is wholly owned by Mr. Xiaopeng He, who is deemed to be the beneficial owner of the shares held by Simplicity Holding Limited. Respect Holding Limited is a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands. Respect Holding Limited is wholly owned by Mr. Xiaopeng He, who is deemed to be the beneficial owner of the shares held by Respect Holding Limited. Simplicity Holding Limited and Respect Holding Limited are collectively referred to as Simplicity and Respect entities.
- (7) Represents (i) 178,618,464 Class A ordinary shares held by Taobao China Holding Limited and (ii) 13,300,000 Class A ordinary shares represented by ADSs owned by Taobao China Holding Limited. Taobao China Holding Limited is a limited liability company incorporated under the laws of the Hong Kong with its registered office at 26/F. Tower One, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong. Taobao China Holding Limited is a wholly-owned subsidiary of Alibaba Group Holding Limited, which is deemed to be the beneficial owner of the shares held by Taobao China Holding Limited. Alibaba Group Holding Limited is a public company listed on the New York Stock Exchange and Hong Kong Stock Exchange.
- (8) Represents (i) 65,350,175 Class A ordinary shares held by Pacific Rays Limited and (ii) 3,600,000 Class A ordinary shares represented by ADSs owned by Pacific Rays Limited. Pacific Rays Limited is a limited liability company incorporated under the laws of the British Virgin Islands with its registered office at the office of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands. 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.

To our knowledge, as of March 31, 2022, a total of 3,336,970 Class A ordinary shares were held by two record holders in the United States, representing approximately 0.19% of our total outstanding shares. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

Please refer to “Item 6. Directors, Senior Management and Employees — E. Share Ownership.”

### **B. Related Party Transactions**

#### **Transaction with Xiaopeng He**

As of December 31, 2019 and 2020, amount due from Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, was RMB20.4 million and nil, respectively, in relation to the deposit and prepayment paid on behalf of Mr. He relating to a property lease. Mr. He paid off the outstanding amount in May 2020. As of December 31, 2021, amounts due from Mr. He represents (i) the receivables for operation support service amounting to RMB15.8 million to the companies controlled by Mr. He and (ii) the receivables for operation support service and the prepayment for fixed assets amounting to RMB15.4 million and RMB1.6 million, respectively, to the companies significantly influenced by Mr. He.

As of December 31, 2020, amounts due to Mr. He represent the payables for rental expenses and the payables for asset purchased amounting to RMB11.1 million and RMB1.0 million, respectively, to a company controlled by Mr. He. As of December 31, 2021, amounts due to Mr. He represents (i) the payables for rental expenses amounting to RMB22.1 million to a company controlled by Mr. He and (ii) the payables for asset purchased amounting to RMB2.8 million to a company significantly influenced by Mr. He.

#### **Contractual Arrangements with the Group VIEs and Their Respective Shareholders**

See “Item 4. Information on the Company—C. Organizational Structure.”

#### **Registration Right Agreement**

On August 20, 2020, we entered into a registration right agreement with our shareholders, under which we have granted certain registration rights to holders of our registrable securities. Set forth below is a description of the registration rights under this agreement.

#### ***Required Registration Rights***

At any time or from time to time after the date that is six months after the closing of our initial public offering, holders holding 25% or more of the registrable securities have the right to request that we effect a registration under the Securities Act covering the registration of all or part of their registrable securities, so long as the anticipated aggregate offering price to the public of such registrable securities is no less than \$5,000,000. We, however, are not obligated to effect a required registration if we have already effected two required registrations, unless less than 50% of the registrable securities sought to be included in the required registration were sold.

#### ***Piggyback Registration Rights***

If we propose to file a registration statement in connection with a public offering of securities of our company, other than relating to (i) an employee share option plan, (ii) corporate reorganization or transaction under Rule 145 of the Securities Act, (iii) on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, or (iv) a registration in which the only shares being registered are those issuable upon conversion of debt securities, then we must offer each holder of the registrable securities the opportunity to include their shares in the registration statement.

### ***Form F-3 Registration Rights***

When eligible for use of form F-3, holders of the registrable securities have the right to request in writing that we file a registration statement on Form F-3. Registration pursuant to Form F-3 registration rights will not be deemed to be a required registration. We, however, are not obligated to effect a registration on Form F-3 if (i) the aggregate price of the registrable securities requested to be sold pursuant to such registration is, in the good faith judgment of our board of directors, expected to be less than \$5,000,000, or (ii) we have already effected two such registrations within any twelve-month period preceding the date of the registration request.

### ***Expenses of Registration***

We will pay all expenses incurred in connection with any required registration, piggyback registration or Form F-3 registration, including, among others, registration and filing fees, compliance fees, listing fees, printing expenses, fees and disbursements of counsel and independent public accountants of our company, fees and disbursements of the underwriters, but excluding underwriting discounts and commissions and share transfer taxes. We will not, however, be required to pay for any expenses of any registration proceeding begun pursuant to required registration rights, if the registration request is subsequently withdrawn at the request of the holders of a majority of the registrable securities requested to be registered, subject to certain exceptions.

### ***Termination of Registration Rights***

The registration rights discussed above shall terminate (i) five years after our initial public offering, or (ii) with respect to any holder, the date on which such holder may sell all of its registrable securities under Rule 144 of the Securities Act in any three-month period.

### **Employment Agreements and Indemnification Agreements**

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Employment Agreements and Indemnification Agreements.”

### **Share Incentive Plan**

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Plan.”

### **C. Interests of Experts and Counsel**

Not Applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

We have appended consolidated financial statements filed as part of this annual report.

### **Legal and Administrative Proceedings**

See “Item 4. Information on the Company—B. Business Overview—Legal Proceedings.”

## **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 ordinary 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 depository, as the registered holder of such Class A ordinary shares, and the depository then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, net of the fees and expenses payable thereunder. See “Item 12. Description of Securities other than Equity Securities—American Depositary Shares.” 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 “Item 3. Key Information—D. 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.”

## **B. Significant Changes**

We have not experienced any other significant changes since the date of our audited consolidated financial statements included in this annual report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offering and Listing Details**

Our ADSs, each representing two of our Class A ordinary shares, have been listed on the New York Stock Exchange since August 27, 2020 under the symbol “XPEV.” Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since July 7, 2021, under the stock code “9868.”

### **B. Plan of Distribution**

Not Applicable.

**C. Markets**

Our ADSs, each representing two of our Class A ordinary shares, have been listed on the New York Stock Exchange since August 27, 2020 under the symbol “XPEV.” Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange since July 7, 2021, under the stock code “9868.”

**D. Selling Shareholders**

Not Applicable.

**E. Dilution**

Not Applicable.

**F. Expenses of the Issue**

Not Applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not Applicable.

**B. Memorandum and Articles of Association**

Please refer to the information set forth in exhibit 2.4 to this annual report.

**C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

**D. Exchange Controls**

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Foreign Exchange and Dividend Distribution—Regulation on Foreign Currency Exchange.”

**E. Taxation**

The following is a general summary of certain Cayman Islands, People’s Republic of China and United States federal income tax consequences relevant to an investment in the ADSs and Class A ordinary shares. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of the ADSs and Class A ordinary shares.

**Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or holders of the ADSs or Class A ordinary shares levied by the government of the Cayman Islands, except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of the ADSs or Class A ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or Class A ordinary shares, nor will gains derived from the disposal of the ADSs or Class A ordinary shares be subject to Cayman Islands income or corporation tax.

### **People’s Republic of China Taxation**

Pursuant to the Enterprise Income Tax Law, 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, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementing rules of the Enterprise Income Tax Law further define the term “de facto management body” as the management body that exercises substantial and overall management and control over the production and operations, personnel, accounting and assets of an enterprise. While we do not currently consider our company or any of our overseas subsidiaries to be a PRC resident enterprise, there is a risk that the PRC tax authorities may deem our company or any of our overseas subsidiaries as a PRC resident enterprise since a substantial majority of the members of our management team as well as the management team of some of our overseas subsidiaries are located in China, in which case we or the overseas subsidiaries, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income. If the PRC tax authorities determine that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. One example is a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs. Furthermore, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax at a current rate of 20%. Any PRC tax liability may be subject to reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

### **Hong Kong Taxation**

We have established a branch register of members in Hong Kong, or the Hong Kong share register. Dealings in our Class A ordinary shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, our Class A ordinary shares transferred. In other words, a total of 0.26% is payable on a typical sale and purchase transaction of our Class A ordinary shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

To facilitate ADS-ordinary share conversion and trading between the NYSE and the Hong Kong Stock Exchange, we also have moved a portion of our issued Class A ordinary shares from our Cayman share register to our Hong Kong share register. It is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs constitutes a sale or purchase of the underlying Hong Kong-registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Shares and ADSs — There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs.”

### **Certain United States Federal Income Tax Considerations**

The following discussion describes certain United States federal income tax consequences of the purchase, ownership and disposition of our ADSs and Class A ordinary shares.



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This discussion deals only with ADSs and Class A ordinary shares that are held as capital assets by a United States Holder (as defined below).

As used herein, the term “United States Holder” means a beneficial owner of our ADSs or Class A ordinary shares that is, for United States federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, and regulations, rulings and judicial decisions thereunder as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. In addition, this discussion assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This discussion does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer or broker in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ADSs or Class A ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our stock by vote or value;
- a partnership or other pass-through entity for United States federal income tax purposes;
- a person required to accelerate the recognition of any item of gross income with respect to our ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement; or
- a person whose “functional currency” is not the U.S. dollar.

If an entity or other arrangement treated as a partnership for United States federal income tax purposes holds our ADSs or Class A ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or Class A ordinary shares, you should consult your tax advisors.

**This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income, United States federal estate and gift taxes or the effects of any state, local or non-United States tax laws. If you are considering the purchase of our ADSs or Class A ordinary shares, you should consult your tax advisors concerning the particular United States federal income tax consequences to you of the purchase, ownership and disposition of our ADSs or Class A ordinary shares, as well as the consequences to you arising under other United States federal tax laws and the laws of any other taxing jurisdiction.**

#### **ADSs**

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying Class A ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will not be subject to United States federal income tax.

#### **Taxation of Dividends**

Subject to the discussion under “—Passive Foreign Investment Company” below, the gross amount of distributions on the ADSs or Class A ordinary shares (including any amounts withheld to reflect PRC withholding taxes, as discussed above under “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation”) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, the distribution will first be treated as a tax-free return of capital, causing a reduction in the tax basis of the ADSs or Class A ordinary shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain recognized on a sale or exchange. We do not, however, expect to determine earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be reported as a dividend. Any dividends that you receive (including any withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of Class A ordinary shares, or by the depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to applicable limitations (including a minimum holding period requirement) dividends received by non-corporate United States Holders from a qualified foreign corporation may be treated as “qualified dividend income” that is subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the NYSE) are readily tradable on an established securities market in the United States. Thus, we believe that dividends we pay on our ADSs will be potentially eligible for these reduced tax rates. Since our Class A ordinary shares are not listed on an established securities market in the United States, we do not believe that dividends that we pay on our Class A ordinary shares that are not represented by ADSs currently meet the conditions required for these reduced tax rates. There also can be no assurance that our ADSs will continue to be readily tradable on an established securities market in the United States in later years. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the Enterprise Income Tax Law, we may be eligible for the benefits of the income tax treaty between the United States and PRC, or the Treaty, and if we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by ADSs, would be potentially eligible for reduced rates of taxation. See “Item 10. Additional Information—E. Taxation—People’s Republic of China Taxation.” You should consult your tax advisors regarding the application of these rules given your particular circumstances.

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Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company in the taxable year in which such dividends are paid or in the preceding taxable year (see “—Passive Foreign Investment Company” below).

Subject to certain conditions and limitations (including a minimum holding period requirement), any PRC withholding taxes on dividends will generally be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or Class A ordinary shares will generally be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances. Instead of claiming a foreign tax credit, you may, at your election, deduct such otherwise creditable PRC withholding taxes in computing your taxable income, but only for a taxable year in which you elect to do so with respect to all foreign income taxes and subject to generally applicable limitations under United States law.

Distributions of ADSs, Class A ordinary shares or rights to subscribe for ADSs or Class A ordinary shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax.

### ***Passive Foreign Investment Company***

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 and Class A ordinary shares), we do not believe we were a passive foreign investment company, or 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.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (generally determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, gains from the sale or exchange of investment property, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). Cash is generally treated as an asset that produces or is held for the production of passive income. If we own at least 25% (by value) of the stock of another corporation, for purposes of determining whether we are a PFIC, we will be treated as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income. However, there is uncertainty as to the treatment of our corporate structure and ownership of the Group VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the equity of the Group VIEs. If it is determined, contrary to our view, that we do not own the equity of the Group 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.

The determination of whether we are a PFIC is made annually. Accordingly, 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 the cash and liquid assets that we currently hold. Because we have valued our goodwill based on the trading price of our ADSs and Class A ordinary shares, a decrease in the price of our ADSs or Class A ordinary shares may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares, you will be subject to special tax rules discussed below.

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If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and you do not make a timely mark-to-market election, as described below, you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a pledge and a deemed sale discussed in the following paragraph, of ADSs or Class A ordinary shares. Distributions received in a taxable year, other than the taxable year in which your holding period in the ADSs or Class A ordinary shares begins, will be treated as excess distributions to the extent that they are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the portion of your holding period for the ADSs or Class A ordinary shares that preceded the taxable year of the distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or Class A ordinary shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for individuals or corporations, as applicable, for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our ADSs or Class A ordinary shares, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold the ADSs or Class A ordinary shares (even if we do not qualify as a PFIC in such subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your ADSs or Class A ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. You are urged to consult your tax advisor about this election.

In lieu of being subject to the special tax rules discussed above, you may make a mark-to-market election with respect to your ADSs or Class A ordinary shares provided such ADSs or Class A ordinary shares are treated as “marketable stock.” The ADSs or Class A ordinary shares generally will be treated as marketable stock if the ADSs or Class A ordinary shares are regularly traded on a “qualified exchange or other market” (within the meaning of the applicable Treasury regulations). The ADSs are listed on the NYSE, which constitutes a qualified exchange, although there can be no assurance that the ADSs will be “regularly traded” for purposes of the mark-to-market election. The Class A ordinary shares are listed on the Hong Kong Stock Exchange, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange for these purposes. There also can be no assurance that the Class A ordinary shares will be “regularly traded” for purposes of the mark-to-market election.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC you will include as ordinary income the excess of the fair market value of your ADSs or Class A ordinary shares at the end of the year over your adjusted tax basis in the ADSs or Class A ordinary shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ADSs or Class A ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your adjusted tax basis in the ADSs or Class A ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, upon the sale or other disposition of your ADSs or Class A ordinary shares in a year that we are a PFIC, any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election, and any gain will be treated as ordinary income. If you make a mark-to-market election, any distributions that we make would generally be subject to the tax rules discussed above under “—Taxation of Dividends,” except that the lower rate applicable to dividends received by non-corporate United States Holders from a qualified foreign corporation (discussed above) would not apply if we are a PFIC in the taxable year in which the dividend is paid or in the preceding taxable year.

If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs or Class A ordinary shares are no longer regularly traded on a qualified exchange or other market, or the Internal Revenue Service, or the IRS, consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

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Alternatively, U.S. taxpayers can sometimes avoid the special tax rules described above by electing to treat a PFIC as a “qualified electing fund” under Section 1295 of the Code. However, this option is not available to you because we do not intend to prepare or provide you with the tax information necessary to permit you to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. You will not be able to make the mark-to-market election described above in respect of any lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

You will generally be required to file IRS Form 8621 if you hold our ADSs or Class A ordinary shares in any year in which we are a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or Class A ordinary shares if we are a PFIC in any taxable year.

### ***Sale, Exchange or Other Disposition of ADSs or Class A Ordinary Shares***

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange or other disposition of the ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized for the ADSs or Class A ordinary shares (net of any Hong Kong stamp duty imposed on such proceeds) and your tax basis in the ADSs or Class A ordinary shares (which should similarly take into account any Hong Kong stamp duty paid in connection with the acquisition of the ADSs or Class A ordinary shares). Subject to the discussion under “—Passive Foreign Investment Company” above, such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the ADSs or Class A ordinary shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, if PRC tax is imposed on any gain (for instance, because we are treated as a PRC resident enterprise for PRC tax purposes or the PRC treats the sale, exchange or other disposition as an indirect transfer of PRC taxable assets), and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain under the Treaty. If you are not eligible for the benefits of the Treaty or if you fail to make the election to treat any gain as PRC source, then you generally would not be able to use the foreign tax credit arising from any PRC tax imposed on the disposition of ADSs or Class A ordinary shares unless such credit can be applied (subject to applicable limitations) against tax due on other income derived from foreign sources.

### ***Shareholder Reporting***

A United States Holder that owns “specified foreign financial assets” with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with its tax return. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Significant penalties may apply for failing to satisfy this filing requirement. United States Holders are urged to contact their tax advisors regarding the application of this filing requirement to their ownership of ADSs or Class A ordinary shares.

### ***Information Reporting and Backup Withholding***

In general, information reporting will apply to distributions in respect of our ADSs or Class A ordinary shares and the proceeds from the sale, exchange or other disposition of our ADSs or Class A ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or (in the case of dividend payments) if you fail to certify that you are not subject to backup withholding or fail to report in full dividend and interest income.

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Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the IRS.

### **F. Dividends and Paying Agents**

Not Applicable.

### **G. Statement by Experts**

Not Applicable.

### **H. Documents on Display**

We have filed this annual report on Form 20-F, including exhibits, with the SEC. As allowed by the SEC, in Item 19 of this annual report, we incorporate by reference certain information we filed with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report.

You may read and copy this annual report, including the exhibits incorporated by reference in this annual report, at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices in New York, New York and Chicago, Illinois. You also can request copies of this annual report, including the exhibits incorporated by reference in this annual report, upon payment of a duplicating fee, by writing information on the operation of the SEC's Public Reference Room.

The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Our annual report and some of the other information submitted by us to the SEC may be accessed through this web site.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Our financial statements have been prepared in accordance with U.S. GAAP.

We will furnish our shareholders with annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP.

### **I. Subsidiary Information**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### ***Foreign Exchange Risk***

The Company uses Renminbi ("RMB") as its reporting currency. Most of our revenues and expenses are denominated in Renminbi. 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 foreign currency transactions occurred. Transaction gains and losses are recognized in the consolidated statements of comprehensive loss.

We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs 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. On the other hand, we are subject to restrictions on currency exchange. Under PRC foreign exchange regulations, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China. See “Item 3. D. Risk Factors—We are subject to restrictions on currency exchange” and “Item 4. Information on the Company—B. Business Overview—Regulation—Regulation Related to Foreign Exchange and Dividend Distribution—Regulation on Foreign Currency Exchange” for further details.

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 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.

#### ***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.

#### ***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 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, 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.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. Debt Securities**

Not Applicable.

**B. Warrants and Rights**

Not Applicable.

**C. Other Securities**

Not Applicable.

**D. American Depositary Shares**

***Depository Fees and Charges***

Under the terms of the deposit agreement for our ADSs, an ADS holder will be required to pay the following service fees to the depository and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of ADSs):

<u>Service</u>	<u>Fees</u>
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of Class A ordinary shares, upon a change in the ADS(s)-to-Shares ratio, or for any other reason), excluding ADS issuances as a result of distributions of Class A ordinary shares	Up to U.S. 5¢ per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-Shares ratio, or for any other reason)	Up to U.S. 5¢ per ADS cancelled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. 5¢ per ADS held
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. 5¢ per ADS held
• ADS Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depository
• Registration of ADS transfers (e.g., upon a registration of the transfer of registered ownership of ADSs, upon a transfer of ADSs into DTC and <i>vice versa</i> , or for any other reason)	Up to U.S. 5¢ per ADS (or fraction thereof) transferred
• Conversion of ADSs of one series for ADSs of another series (e.g., upon conversion of Partial Entitlement ADSs for Full Entitlement ADSs, or upon conversion of Restricted ADSs (each as defined in the Deposit Agreement) into freely transferable ADSs, and <i>vice versa</i> )	Up to U.S. 5¢ per ADS (or fraction thereof) converted



As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of Class A ordinary shares on the share register and applicable to transfers of Class A ordinary shares to or from the name of the custodian, the depository or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the fees, expenses, spreads, taxes and other charges of the depository and/or service providers (which may be a division, branch or affiliate of the depository) in the conversion of foreign currency;
- the reasonable and customary out-of-pocket expenses incurred by the depository in connection with compliance with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, ADSs and ADRs; and
- the fees, charges, costs and expenses incurred by the depository, the custodian, or any nominee in connection with the ADR program.

ADS fees and charges for (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person for whom the ADSs are issued (in the case of ADS issuances) and to the person for whom ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depository into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs. In the case of (i) registration of ADS transfers, the ADS transfer fee will be payable by the ADS Holder whose ADSs are being transferred or by the person to whom the ADSs are transferred, and (ii) conversion of ADSs of one series for ADSs of another series, the ADS conversion fee will be payable by the Holder whose ADSs are converted or by the person to whom the converted ADSs are delivered.

In the event of refusal to pay the depository fees, the depository may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depository fees from any distribution to be made to the ADS holder. Certain depository fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depository. You will receive prior notice of such changes. The depository may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depository agree from time to time.

#### ***Payments by Depository***

As of December 31, 2021, we received payment of RMB84.6 million from Citibank, N.A., the depository bank for our ADR program.

## **PART II.**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

#### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

See “Item 10. Additional Information” for a description of the rights of securities holders, which remain unchanged.

In August 2020, we completed our initial public offering in the U.S. in which we offered and sold an aggregate 114,693,333 ADSs, representing 229,386,666 Class A ordinary shares, raising a total of US\$1,655.7 million in net proceeds to us after underwriting discounts commissions and expenses. The effective date of our registration statement on Form F-1, as amended (File No. 333- 242283) was August 26, 2020.

In December 2020, we completed our follow-on public offering in the U.S. in which we offered and sold an aggregate 55,200,000 ADSs, representing 110,400,000 Class A ordinary shares, raising a total of US\$2,444.9 million in net proceeds to us after underwriting discounts, commissions and expenses. The effective date of our registration statement on Form F-1, as amended (File No. 333-251164) was December 8, 2020.

In July 2021, we completed our listing on the Hong Kong Stock Exchange and public offering of 97,083,300 Class A ordinary shares, raising a total of approximately HK\$15,823.3 million (or US\$2,039.0 million based on an exchange rate of HK\$7.7604 to US\$1.00 as of June 11, 2021) in net proceeds to us after deducting underwriting fees and the offering expenses.

For the period from August 27, 2020 to December 31, 2021, we had used approximately US\$2,280 million of the net proceeds received from our initial public offering in the U.S. in August 2020 and our follow-on public offering in December 2020 for (i) research and development of our Smart EVs and technologies, (ii) expansion of sales channels, super charging network and international markets, (iii) marketing and promotional expenses, (iv) general corporate purposes and (v) strategic investments in core technologies of Smart EV. As of December 31, 2021, we had not used any of the net proceeds received from our listing on the Hong Kong Stock Exchange and public offering in July 2021.

#### **ITEM 15. CONTROLS AND PROCEDURES**

##### **Disclosure Controls and Procedures**

As of the end of the period covered by this annual report, an evaluation has been carried out under the supervision and with the participation of our management, including our principal executive officer and principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rules 13a-15e and 15d-15(e) promulgated under the Exchange Act.

Based on that evaluation, our management has concluded that our disclosure controls and procedures as of December 31, 2021, were effective in ensuring that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

##### **Management’s Annual Report on Internal Control over Financial Reporting.**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Exchange Act. As required by Rule 13a-15(c) of the U.S. Exchange Act, our management conducted an evaluation of our company’s internal control over financial reporting as of December 31, 2021 based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2021.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Changes in Internal Control over Financial Reporting**

As of December 31, 2021, based on an assessment performed by our management on the performance of certain remediation measures (specified below), we concluded that the material weakness in our internal control over financial reporting previously identified by us and our independent registered public accounting firm in connection with the audit of the effectiveness of internal control over financial reporting as of December 31, 2020 has been remediated.

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 a number of measures to address our identified material weakness, 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, (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.

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Attestation Report of the Independent Registered Public Accounting Firm**

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2021, as stated in its report, which appears on page F-2 of this annual report.

### **ITEM 16.**

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined Mr. Donghao Yang, who is an independent director, qualifies as an audit committee financial expert as defined in Item 16A of the instruction to Form 20-F.

#### **ITEM 16B. CODE OF ETHICS**

Our board of directors has adopted a code of ethics that applies to our directors, officers and employees. We have filed our code of business conduct and ethics as an exhibit to our registration statement on Form F-1 (File No. 333- 242283), as amended, initially filed with the SEC on August 7, 2020. No changes have been made to the code of business conduct and ethics since its adoption and no waivers have been granted therefrom to our directors, officers or employees. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

#### **ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our independent public accountant for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

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	For the Year Ended December 31,	
	2020	2021
	(In thousands of RMB)	
Audit Fees(1)	13,234	18,994
Audit-related Fees(2)	800	850
Tax Fees(3)	350	—
All Other Fees(4)	—	1,520
Total	<u>14,384</u>	<u>21,364</u>

- (1) Audit fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our independent public accountant for the audit of our annual financial statements and internal control over financial reporting, review of our quarterly and interim financial statements and services related to our initial public offering, follow-on public offering and listing on the Hong Kong Stock Exchange.
- (2) Audit-related fees include the aggregate fees billed in each of the fiscal period listed for permissible services to review and comment on the design of internal control over financial reporting rendered by our principal external auditors in 2020 and internal control consultation services related to our listing on the Hong Kong Stock Exchange rendered by our principal external auditors in 2021.
- (3) Tax fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our principal external auditors for tax compliance, tax advice, and tax planning.
- (4) All Other Fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our principal external auditors for other advisory services.

The policy of our audit committee is to pre-approve all auditing and non-audit services provided by our independent public accountant, including audit services, audit-related services and other services as described above.

### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

None.

### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

### **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not Applicable.

### **ITEM 16G. CORPORATE GOVERNANCE**

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs, each representing two ordinary share, are listed on the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the New York Stock Exchange with limited exceptions. The following summarizes some significant ways in which our corporate governance practices differ from those followed by domestic companies under the listing standards of the New York Stock Exchange.

Under the New York Stock Exchange Listed Company Manual, or the NYSE Manual, U.S. domestic listed companies are required to have a majority of the board consisting of independent directors and have a compensation committee and a nominating/corporate governance committee, each composed entirely of independent directors, which are not required under the Companies Act (Revised) of the Cayman Islands, our home country. Currently, our board of directors is composed of nine members, only four of whom satisfy the requirements for an “independent director” under Section 303A of the NYSE Manual. Our compensation committee is composed of three members, only two of whom satisfy the requirements for an “independent director” under Section 303A of the NYSE Manual. Our nomination committee is composed of three members, only two of whom satisfy the requirements for an “independent director” under Section 303A of the NYSE Manual. In addition, the NYSE Manual requires shareholder approval for issuance of securities in certain situations, which is not required under the Cayman Islands law. We intend to follow the home country practice and the applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) in determining whether shareholder approval is required.

### **ITEM 16H.MINE SAFETY DISCLOSURE**

Not Applicable.

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### ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

### PART III.

### ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

### ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of XPeng Inc. are included at the end of this annual report.

### ITEM 19. EXHIBITS

<b>Exhibit Number</b>	<b>Description of Document</b>
1.1	<a href="#">Eighth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.1 to the current report on Form 6-K (File No. 001-39466), previously furnished with the Securities and Exchange Commission on December 9, 2021)</a>
2.1	<a href="#">Form of American Depositary Receipt evidencing American Depositary Shares (included in Exhibit 2.3)</a>
2.2	<a href="#">Form of Class A Ordinary Share Certificate (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-257308), as amended, initially filed with the Securities and Exchange Commission on June 23, 2021)</a>
2.3	<a href="#">Form of Deposit Agreement among the Registrant, Citibank, N.A., as depositary, and the holders and beneficial owners of ADSs issued thereunder (incorporated herein by reference to Exhibit (a) to the Registration Statement on Form F-6 (Registration No. 333-248098), initially filed with the Securities and Exchange Commission on August 21, 2020)</a>
2.4*	<a href="#">Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>
4.1	<a href="#">Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-242283), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020)</a>
4.2	<a href="#">Form of Employment Agreement between the Registrant and its executive officers based in the PRC (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-242283), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020)</a>
4.3*	<a href="#">English translation of Equity Interest Pledge Agreement by and among Xiaopeng Technology, Zhipeng IoV and shareholders of Zhipeng IoV, dated September 6, 2021</a>
4.4*	<a href="#">English translation of Power of Attorney by and among Xiaopeng Technology, Zhipeng IoV and individual shareholders of Zhipeng IoV, dated September 6, 2021</a>
4.5*	<a href="#">English translation of Loan Agreement by and among Xiaopeng Technology and individual shareholders of Zhipeng IoV, dated September 6, 2021</a>
4.6*	<a href="#">English translation of Exclusive Service Agreement between Xiaopeng Technology and Zhipeng IoV, dated September 6, 2021</a>

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- 4.7\* [English translation of Exclusive Option Agreement by and among Xiaopeng Technology, Zhipeng IoV and individual shareholders of Zhipeng IoV, dated September 6, 2021](#)
- 4.8\* [English translation of Equity Interest Pledge Agreement by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021](#)
- 4.9\* [English translation of Power of Attorney by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021](#)
- 4.10\* [English translation of Loan Agreement by and among Xiaopeng Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021](#)
- 4.11\* [English translation of Exclusive Service Agreement between Xiaopeng Chuxing and Yidian Chuxing, dated September 10, 2021](#)
- 4.12\* [English translation of Exclusive Option Agreement by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021](#)
- 4.13 [English translation of Loan Agreement, between Zhaoqing High-Tech Industry Development Zone Construction Investment and Development Co., Limited and Chengxing Zhidong, dated May 27, 2017 \(incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 7, 2020\)](#)
- 4.14 [English translation of Amendment No. 1 to the Loan Agreement, by and among Zhaoqing High-Tech Industry Development Zone Construction Investment and Development Co., Limited, Chengxing Zhidong and Zhaoqing Xiaopeng Automobile Co., Ltd., dated August 25, 2017 \(incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 7, 2020\)](#)
- 4.15 † [English translation of Xiaopeng Brand Vehicle Cooperative Manufacturing Agreement, between Xiaopeng Technology and Haima Automobile Co., Ltd., dated March 31, 2017 \(incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 11, 2020\)](#)
- 4.16 † [English translation of Xiaopeng Brand Vehicle Distribution Agreement, between Xiaopeng Technology and Haima Automobile Co., Ltd., dated March 31, 2017 \(incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 11, 2020\)](#)
- 4.17\* [Second Amended and Restated 2019 Share Incentive Plan](#)
- 4.18 [Form of Employment Agreement between the Registrant and its executive officers based in the United States \(incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020\)](#)
- 4.19 [Form of Employment Agreement between the Registrant and its executive officers based in Hong Kong \(incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1 \(File No. 333-242283\), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020\)](#)
- 4.20 [English translation of Cooperation Agreement, dated September 28, 2020, between Guangdong Xiaopeng Motors Technology Co., Ltd. and Guangzhou GET Investment Holdings Co., Ltd. \(incorporated herein by reference to Exhibit 99.2 to the current report on Form 6-K \(File No. 001-39466\), as amended, initially filed with the Securities and Exchange Commission on September 28, 2020\)](#)

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4.21	<a href="#">English translation of Capital Increase Agreement, dated March 12, 2021, by and among Guangzhou Chengxingzhidong Automotive Technology Co., Ltd., Guangdong Xiaopeng Motors Technology Co., Ltd., Guangdong Xiaopeng Automotive Industry Holding Co., Ltd. and Guangdong Yuecai Industrial Investment Fund Partnership Enterprise (Limited Partnership), (incorporated herein by reference to Exhibit 4.21 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 16, 2021).</a>
4.22†	<a href="#">English translation of Investment Agreement, dated April 8, 2021, between Administrative Committee of Wuhan Economic &amp; Technological Development Zone and Guangdong Xiaopeng Motors Technology Co., Ltd. (incorporated herein by reference to Exhibit 4.22 to the report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 16, 2021)</a>
4.23*	<a href="#">English translation of Equity Interest Pledge Agreement by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021</a>
4.24*	<a href="#">English translation of Power of Attorney by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021</a>
4.25*	<a href="#">English translation of Loan Agreement by and among Xiaopeng Technology and the shareholder of Xintu Technology, dated August 12, 2021</a>
4.26*	<a href="#">English translation of Exclusive Service Agreement between Xiaopeng Technology and Xintu Technology, dated August 12, 2021</a>
4.27*	<a href="#">English translation of Exclusive Option Agreement by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021</a>
8.1*	<a href="#">List of Significant Subsidiaries</a>
11.1	<a href="#">Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-242283), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020)</a>
12.1*	<a href="#">Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Fangda Partners</a>
15.2*	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
101.INS*	Inline XBRL Instance Document —this instance document does not appear in the Interactive Data File because its XBRL tags embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith

\*\* Furnished herewith

† Portions of this exhibit have been omitted in accordance with Instruction 4 to Item 19 of Form 20-F.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

XPENG INC.

By           /s/ Xiaopeng He          

Name: Xiaopeng He

Title: Chairman and Chief Executive Officer

Date: April 28, 2022



XPENG INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of XPeng Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of XPeng Inc. and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive loss, of changes in shareholders’ (deficit) equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

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Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Allowance for credit losses of installment payment receivables*

As described in Notes 2(i) and 11 to the consolidated financial statements, the Company provides an allowance for credit losses related to its installment payment receivables by estimating the lifetime current expected credit losses as of the balance sheet date. As of December 31, 2021, an allowance for credit losses of RMB51.1 million had been provided for the current portion of installment payment receivables of RMB905.4 million and long-term portion of installment payment receivables of RMB1,896.4 million. Management determined the lifetime current expected credit losses of the installment payment receivables by applying probability of default and loss given default assumptions to exposures at default, then discounted these cash flows to present value using the original effective interest rate or by an approximation thereof. The Company identified the relevant risk characteristics of its installment payment receivables, which were classified into different categories, from performing to non-performing, based on the credit risk of the customers and the past due days, if any, of the principal and/or interest repayments. Management also took into account the historical credit loss experience, current economic conditions, and supportable forecasts of future economic conditions in determining the allowance for credit losses of installment payment receivables.

The principal considerations for our determination that performing procedures relating to allowance for credit losses of installment payment receivables is a critical audit matter are the significant judgment by management in determining the allowance for credit losses, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the probability of default and loss given default assumptions and management's judgment regarding classification of installment payment receivables based on certain risk characteristics as well as considerations of qualitative factors related to current and future economic conditions. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimation of the allowance for credit losses on installment payment receivables, including controls over the data gathered to support the assumptions relating to the probability of default and loss given default based on past experience, exposures at default, and management's judgment regarding classification of installment payment receivables based on certain risk characteristics as well as considerations of qualitative factors related to current and future economic conditions in order to determine the allowance. These procedures also included, among others, evaluating the appropriateness of the model adopted by management to determine the allowance; evaluating the reasonableness of the probability of default and loss given default assumptions determined by management; testing the completeness and accuracy of data used in the model, including exposures at default and historical credit loss data; evaluating the reasonableness of management's judgment regarding classification of installment payment receivables based on certain risk characteristics as well as considerations of qualitative factors related to current and future economic conditions. Professionals with specialized skill and knowledge were also used to assist in evaluating the appropriateness of the model, the underlying methodology, and significant assumptions used in determining the current expected credit losses.

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### *Warranty provisions*

As described in Notes 2(q) and 16 to the consolidated financial statements, the Company accrued for a warranty reserve for the vehicles it sold. As of December 31, 2021, the accrued warranty reserve was RMB371.1 million. The Company set up a warranty reserve through its best estimate of the future costs to be incurred in order to repair or replace items under warranties and recalls when identified. These estimates were made based on actual claims incurred to date and an estimate of the nature, frequency, and magnitude of future claims with reference made to the past claim history.

The principal considerations for our determination that performing procedures relating to warranty provisions is a critical audit matter are the significant judgment by management in determining the warranty costs, which in turn led to significant auditor judgment, subjectivity, and effort in performing procedures to evaluate the reasonableness of management's estimates of the nature, frequency and magnitude of future claims with reference made to the past claim history.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's estimation of the warranty provisions, including controls over management's estimate of the nature, frequency, and magnitude of future claims with reference made to the past claim history, as well as the completeness and accuracy of actual claims incurred to date. These procedures also included, among others, evaluating the reasonableness of significant assumptions employed by management in developing their estimate on nature and frequency of future claims and the related projected costs to be incurred to repair or replace items under warranty, considering current performance and historical experience of the Company, including performing a lookback analysis by comparing forecasted claims in prior periods to actual claims incurred; testing the reliability, completeness, and relevance of management's data relating to the actual claims incurred to date and verifying that such data was appropriately used by management in the estimation of future claims and determination of the warranty provisions.

/s/PricewaterhouseCoopers Zhong Tian LLP  
Guangzhou, the People's Republic of China  
April 28, 2022

We have served as the Company's auditor since 2019.

[Table of Contents](#)**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,	
		2020	2021
		RMB	RMB
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2(f)	29,209,388	11,024,906
Restricted cash	2(g)	2,332,145	609,975
Short-term deposits	2(h)	979,897	25,858,007
Short-term investments	2(j), 5	2,820,711	2,833,763
Accounts and notes receivable, net		1,128,892	2,673,494
Current portion of installment payment receivables, net	11	156,069	887,202
Inventory	6	1,343,025	2,661,921
Amounts due from related parties	26	682	32,785
Prepayments and other current assets	7	1,708,469	2,248,683
<b>Total current assets</b>		<u>39,679,278</u>	<u>48,830,736</u>
<b>Non-current assets</b>			
Property, plant and equipment, net	8	3,081,502	5,424,776
Right-of-use assets, net	17	461,184	1,561,175
Intangible assets, net	9	607,781	878,724
Land use rights, net	10	249,934	595,471
Installment payment receivables, net	11	397,467	1,863,492
Other non-current assets	12	228,633	1,730,486
Long-term investments	13	1,000	1,549,176
Long-term deposits	2(h)	—	3,217,266
<b>Total non-current assets</b>		<u>5,027,501</u>	<u>16,820,566</u>
<b>Total assets</b>		<u>44,706,779</u>	<u>65,651,302</u>

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2021 (CONTINUED)**

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,	
		2020	2021
		RMB	RMB
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	15	127,900	—
Accounts and notes payable		5,111,745	12,362,186
Amounts due to related parties	26	12,062	24,919
Current portion of lease liabilities	17	119,565	373,488
Current portion of deferred revenue	19	163,617	418,227
Current portion of long-term borrowings	15	45,000	—
Accruals and other liabilities	14	2,256,165	4,811,107
Income taxes payable		1,209	22,737
<b>Total current liabilities</b>		<b>7,837,263</b>	<b>18,012,664</b>
<b>Non-current liabilities</b>			
Long-term borrowings	15	1,645,000	1,675,106
Lease liabilities	17	352,501	1,189,754
Deferred revenue	19	144,767	479,061
Other non-current liabilities	16	297,439	2,148,139
<b>Total non-current liabilities</b>		<b>2,439,707</b>	<b>5,492,060</b>
<b>Total liabilities</b>		<b>10,276,970</b>	<b>23,504,724</b>
<b>Commitments and contingencies</b>	27		

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2021 (CONTINUED)**

(All amounts in thousands, except for share and per share data)

	Note	As of December 31,	
		2020	2021
		RMB	RMB
<b>SHAREHOLDERS' EQUITY</b>			
<b>Class A Ordinary shares</b> (US\$0.00001 par value; 8,850,000,000 and 9,250,000,000 shares authorized, 971,341,066 and 1,302,911,192 shares issued, 928,296,786 and 1,291,039,502 outstanding as of December 31, 2020 and 2021, respectively)	22	63	87
<b>Class B Ordinary shares</b> (US\$0.00001 par value, 750,000,000 and 750,000,000 shares authorized, 429,846,136 and 409,846,136 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	22	26	25
<b>Class C Ordinary shares</b> (US\$0.00001 par value, 400,000,000 and nil shares authorized, 178,618,464 and nil shares issued and outstanding as of December 31, 2020 and 2021, respectively)	22	12	—
Additional paid-in capital		46,482,512	59,980,534
Statutory reserve		—	6,047
Accumulated deficit		(11,322,423)	(16,191,566)
Accumulated other comprehensive loss		(730,381)	(1,648,549)
<b>Total shareholders' equity</b>		<u>34,429,809</u>	<u>42,146,578</u>
<b>Total liabilities and shareholders' equity</b>		<u>44,706,779</u>	<u>65,651,302</u>

The accompanying notes are an integral part of these consolidated financial statements.



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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
<b>Revenues</b>				
Vehicle sales	18	2,171,231	5,546,754	20,041,955
Services and others	18	149,988	297,567	946,176
<b>Total revenues</b>		<u>2,321,219</u>	<u>5,844,321</u>	<u>20,988,131</u>
<b>Cost of sales</b>				
Vehicle sales		(2,733,531)	(5,350,479)	(17,733,036)
Services and others		(145,829)	(227,853)	(632,540)
<b>Total cost of sales</b>		<u>(2,879,360)</u>	<u>(5,578,332)</u>	<u>(18,365,576)</u>
<b>Gross (loss) profit</b>		<u>(558,141)</u>	<u>265,989</u>	<u>2,622,555</u>
<b>Operating expenses<sup>(1)</sup></b>				
Research and development expenses	2(t)	(2,070,158)	(1,725,906)	(4,114,267)
Selling, general and administrative expenses	2(u)	(1,164,569)	(2,920,649)	(5,305,433)
<b>Total operating expenses</b>		<u>(3,234,727)</u>	<u>(4,646,555)</u>	<u>(9,419,700)</u>
Other income, net	2(x)	12,294	86,830	217,740
<b>Loss from operations</b>		<u>(3,780,574)</u>	<u>(4,293,736)</u>	<u>(6,579,405)</u>
Interest income		88,843	133,036	743,034
Interest expenses		(32,017)	(22,451)	(55,336)
Fair value gain on derivative liabilities		27,679	1,362,025	79,262
Fair value gain on long-term investments		—	—	591,506
Other non-operating income, net		4,397	90,364	383,833
<b>Loss before income tax expenses</b>		<u>(3,691,672)</u>	<u>(2,730,762)</u>	<u>(4,837,106)</u>
Income tax expenses	24(a)	(1)	(1,223)	(25,990)
<b>Net loss</b>		<u>(3,691,673)</u>	<u>(2,731,985)</u>	<u>(4,863,096)</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
Accretion on Preferred Shares to redemption value		(961,050)	(2,157,744)	—
Deemed contribution from repurchase of Preferred Shares		9,969	—	—
<b>Net loss attributable to ordinary shareholders of XPeng Inc.</b>		<b>(4,642,754)</b>	<b>(4,889,729)</b>	<b>(4,863,096)</b>
<b>Net loss</b>		<b>(3,691,673)</b>	<b>(2,731,985)</b>	<b>(4,863,096)</b>
<b>Other comprehensive loss</b>				
Foreign currency translation adjustment, net of nil tax		(2,968)	(724,433)	(918,168)
<b>Total comprehensive loss attributable to XPeng Inc.</b>		<b>(3,694,641)</b>	<b>(3,456,418)</b>	<b>(5,781,264)</b>
Accretion on Preferred Shares to redemption value		(961,050)	(2,157,744)	—
Deemed contribution from repurchase of Preferred Shares		9,969	—	—
<b>Comprehensive loss attributable to ordinary shareholders of XPeng Inc.</b>		<b>(4,645,722)</b>	<b>(5,614,162)</b>	<b>(5,781,264)</b>
<b>Weighted average number of ordinary shares used in computing net loss per ordinary share</b>				
Basic and diluted	25	349,450,580	754,270,914	1,642,906,400
<b>Net loss per ordinary share attributable to ordinary shareholders</b>				
Basic and diluted	25	(13.29)	(6.48)	(2.96)

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

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
Selling, general and administrative expenses		517	678,014	154,995
Research and development expenses		—	318,403	224,953

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Accumulated Other Comprehensive Loss RMB	Accumulated Deficit RMB	Total Shareholders' Deficit RMB
		Shares	Par Value RMB	Shares	Par Value RMB				
<b>Balance as of</b>									
<b>December 31, 2018</b>		<u>463,189,950</u>	<u>30</u>	<u>(113,775,900)</u>	<u>(9)</u>	<u>—</u>	<u>(2,980)</u>	<u>(2,182,266)</u>	<u>(2,185,225)</u>
Share-based compensation	23	—	—	13,333,325	—	517	—	—	517
Accretion on convertible redeemable Preferred Shares to redemption value	21	—	—	—	—	(10,486)	—	(950,564)	(961,050)
Deemed contribution from repurchase of Preferred Shares	21	—	—	—	—	9,969	—	—	9,969
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	(2,968)	—	(2,968)
Net loss		—	—	—	—	—	—	(3,691,673)	(3,691,673)
<b>Balance as of</b>									
<b>December 31, 2019</b>		<u>463,189,950</u>	<u>30</u>	<u>(100,442,575)</u>	<u>(9)</u>	<u>—</u>	<u>(5,948)</u>	<u>(6,824,503)</u>	<u>(6,830,430)</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Accumulated Other Comprehensive Loss RMB	Accumulated Deficit RMB	Total Shareholders' (Deficit) Equity RMB
		Shares	Par Value RMB	Shares	Par Value RMB				
<b>Balance as of December 31, 2019</b>		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(i)	—	—	—	—	—	—	(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 IPO	21	—	—	—	—	(393,883)	—	(1,763,861)	(2,157,744)
Issuance of ordinary shares	22	60,687,680	5	(60,687,680)	(5)	—	—	—	—
Issuance of ordinary shares upon the completion of the IPO	22	229,386,666	16	—	—	11,409,232	—	—	11,409,248
Issuance of ordinary shares upon the completion of the FO	22	110,400,000	7	—	—	15,980,220	—	—	15,980,227
Issuance of ordinary shares for the vested RSUs	22	14,850,560	1	—	—	(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 RSUs	23	—	—	—	—	544,659	—	—	544,659
The immediate vesting of RSUs upon grant date	23	—	—	—	—	393,883	—	—	393,883
Conversion of Preferred Shares to ordinary shares upon the completion of the IPO	21	801,733,385	55	—	—	18,490,528	—	—	18,490,583
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	(724,433)	—	(724,433)
Net loss		—	—	—	—	—	—	(2,731,985)	(2,731,985)
<b>Balance as of December 31, 2020</b>		<u>1,579,805,666</u>	<u>105</u>	<u>(43,044,280)</u>	<u>(4)</u>	<u>46,482,512</u>	<u>(730,381)</u>	<u>(11,322,423)</u>	<u>34,429,809</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Statutory reserve RMB	Accumulated Other Comprehensive Loss RMB	Accumulated Deficit RMB	Total Shareholders' Equity RMB
		Shares	Par Value RMB	Shares	Par Value RMB					
<b>Balance as of December</b>										
<b>31, 2020</b>		1,579,805,666	105	(43,044,280)	(4)	46,482,512	—	(730,381)	(11,322,423)	34,429,809
Share-based compensation	23	—	—	—	—	379,948	—	—	—	379,948
Issuance of treasury shares	22	9,396,714	1	(9,396,714)	(1)	—	—	—	—	—
Issuance of ordinary shares for the vested RSUs	22	26,471,648	1	40,569,304	4	(5)	—	—	—	—
Issuance of ordinary shares upon the completion of the Global Offering	22	97,083,300	6	—	—	13,118,079	—	—	—	13,118,085
Foreign currency translation adjustment, net of nil tax		—	—	—	—	—	—	(918,168)	—	(918,168)
Net loss		—	—	—	—	—	—	—	(4,863,096)	(4,863,096)
Appropriations to statutory reserve	2(aa)	—	—	—	—	—	6,047	—	(6,047)	—
<b>Balance as of December</b>										
<b>31, 2021</b>		1,712,757,328	113	(11,871,690)	(1)	59,980,534	6,047	(1,648,549)	(16,191,566)	42,146,578

The accompanying notes are an integral part of these consolidated financial statement.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
<b>Cash flows from operating activities</b>				
Net loss		(3,691,673)	(2,731,985)	(4,863,096)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation of property, plant and equipment	8	125,453	302,974	573,247
Amortization of intangible assets	9	7,681	20,169	25,875
Amortization of right-of-use assets		88,208	109,473	229,031
Amortization of land use rights	10	5,323	5,323	9,642
Loss of disposal of property, plant and equipment	2(l)	1,191	6,167	36,508
Impairment of property, plant and equipment		79,185	63,251	34,589
Current expected credit loss of accounts and notes receivable	2(i)	3,812	6,216	16,175
Current expected credit loss of installment payment receivables	2(i)	833	3,454	49,978
Current expected credit loss of other current assets	2(i)	—	369	3,578
Inventory write-downs	2(k), 6	109,505	92,612	162,433
Foreign exchange gains		(8,363)	(81,181)	(313,580)
Interest income		(66,782)	(65,676)	(351,926)
Share-based compensation	23(b)(c)	517	996,417	379,948
Fair value gain on derivative assets or derivative liabilities		(27,679)	(1,362,025)	(79,262)
Fair value gain on long-term investments		—	—	(591,506)
Changes in operating assets and liabilities:				
Accounts and notes receivable		(504,618)	(595,908)	(1,560,777)
Inventory		(394,295)	(981,521)	(1,940,225)
Amounts due from related parties		4,351	21,923	(32,103)
Prepayments and other current assets		(418,103)	(792,863)	(652,033)
Other non-current assets		(5,616)	(30,808)	(68,136)
Accounts and notes payable		739,053	4,157,799	7,250,441
Deferred revenue	19	83,132	222,886	588,904
Lease liabilities		(84,626)	(108,134)	(237,846)
Accruals and other liabilities		520,547	722,967	2,260,378
Other non-current liabilities		26,155	266,932	187,923
Installment payment receivables		(156,634)	(401,190)	(2,247,136)
Amounts due to related parties		678	11,384	12,857
Income taxes payable		—	1,209	21,528
Net cash used in operating activities		(3,562,765)	(139,766)	(1,094,591)
<b>Cash flows from investing activities</b>				
Maturities (placement) of short-term deposits		759,975	(979,897)	(24,899,368)
Maturities (placement) of short-term investments		1,905,210	(2,347,191)	62,305
Placement of long-term deposits		—	—	(3,157,891)
Purchase of property, plant and equipment		(1,831,593)	(806,067)	(2,299,698)
Receipt of government subsidy related to assets		83,201	243,838	12,954
Maturities of derivative assets or derivative liabilities		—	—	233,050
Purchase of intangible assets		(76,760)	(426,089)	(288,084)
Disposal of property, plant and equipment		263	24,505	24,124
Purchase of land use rights		—	—	(223,113)
Prepayment for acquisition of assets		(100,000)	—	(23,132)
Prepayments for subscription of equity securities		—	—	(50,000)
Prepayment for acquisition of land use rights		—	(130,260)	(1,507,170)
Disposal of equity investment in a company	9	—	16,000	—
Cash paid for long-term investments		—	(1,000)	(959,855)
Net cash provided by (used in) investing activities		740,296	(4,406,161)	(33,075,878)

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in thousands, except for share and per share data)

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
<b>Cash flows from financing activities</b>				
Proceeds from issuance of convertible redeemable Preferred Shares		2,678,612	7,282,554	—
Proceeds from IPO, net of issuance costs		—	11,410,386	—
Proceeds from FO, net of issuance costs		—	15,988,903	—
Proceeds from Global Offering, net of issuance costs		—	—	13,146,811
Proceeds from borrowings	15	1,620,000	1,028,335	840,106
Repayment of borrowings	15	(748,060)	(1,380,385)	(982,900)
Loans from a related party	26	—	1,063,434	—
Repayment of loans to a related party	26	—	(1,063,434)	—
Repurchase of Preferred Shares		(55,000)	—	—
Proceeds from non-controlling interests	14, 16	98,010	—	1,660,000
Payments of listing expenses		—	—	(36,924)
Net cash provided by financing activities		<u>3,593,562</u>	<u>34,329,793</u>	<u>14,627,093</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash		5,125	(650,076)	(363,276)
Net increase (decrease) in cash, cash equivalents and restricted cash		776,218	29,133,790	(19,906,652)
Cash, cash equivalents and restricted cash at beginning of the year		1,631,525	2,407,743	31,541,533
<b>Cash, cash equivalents and restricted cash at end of the year</b>		<u>2,407,743</u>	<u>31,541,533</u>	<u>11,634,881</u>
<b>Supplemental disclosure of cash flows information</b>				
Cash paid for interest, net of amounts capitalized		(26,406)	(76,093)	(126,090)
Acquisition of property, plant and equipment included in liabilities		762,151	235,117	843,732

The accompanying notes are an integral part of these consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amount in thousands, except for share and per share data, unless otherwise stated)

### 1. Organization and Nature of Operations

#### (a) Principal activities

XPeng Inc. (“XPeng” or the “Company”) was incorporated under the laws of the Cayman Islands on December 27, 2018, as an exempted company with limited liability. The Company, its subsidiaries and consolidated variable interest entity (“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, G3, commercially in December 2018, and delivered its second model of smart electric vehicles, a four-door sports sedan, P7, since May 2020. It delivered the G3i, the new mid-cycle facelift version of the G3, since August 2021, and delivered its third model of smart electric vehicles, a family sedan featured with LiDAR, P5, since September 2021. It manufactures the P7, the G3i and the P5 through its own plant in Zhaoqing. As of December 31, 2020 and 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 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.
- In 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, WFOE exercised its rights under the contractual arrangements 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(b) History of the Group and Reorganization (continued)**

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 were required to complete their relevant registrations and/or statutory filings, as appropriate, before they could, 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 were to reflect the holder’s (indirect) rights, obligations and interest in the Company as if the holders were 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. After the holders had completed the necessary registration for outbound investment, the holders were required to exercise the warrants immediately at a nil price per share. The warrants were also transferrable by the holder subject to approval of the Company’s board of directors. Accordingly, the warrants had been accounted for and presented based on the terms on the underlying Preferred Shares that the warrants were exercisable into (see Note 21).

The shareholders and their respective equity interest in the Company remained 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.

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 initial public offering (“IPO”) and follow-on offering (“FO”) on the New York Stock Exchange (“NYSE”) (Note 22).

In July 2021, the Company completed its global offering (“Global Offering”), including the Hong Kong Public Offering and the International Offering, on the Hong Kong Stock Exchange (“HKEX”) (Note 22).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(b) History of the Group and Reorganization (continued)**

As of December 31, 2021, the Company’s principal subsidiaries and VIEs are as follows:

<u>Principal subsidiaries</u>	<u>Place of incorporation</u>	<u>Date of incorporation or acquisition</u>	<u>Equity interest held</u>	<u>Principal activities</u>
Chengxing <sup>(1)</sup>	PRC	January 09, 2015	100%	Investment holding
Guangzhou Xiaopeng Motors Technology Co., Ltd. (“Xiaopeng Technology”)	PRC	May 12, 2016	100%	Design and technology development
Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.	PRC	April 07, 2017	100%	Manufacturing of vehicles
Zhaoqing Xiaopeng New Energy Investment Co., Ltd. (“Zhaoqing Xiaopeng New Energy”) <sup>(2)</sup>	PRC	February 13, 2020	50%	Manufacturing of vehicles
Zhaoqing Xiaopeng Automobile Co., Ltd. (“Zhaoqing XPeng”)	PRC	May 18, 2017	100%	Manufacturing of vehicles
Xiaopeng Automobile Sales Co., Ltd.	PRC	January 08, 2018	100%	Vehicle wholesale and retail
Beijing Xiaopeng Automobile Co., Ltd. (“Beijing Xiaopeng”)	PRC	April 28, 2018	100%	Vehicle wholesale and retail, design and technology development
Shenzhen Xiaopeng Automobile Sales Service Co., Ltd.	PRC	August 06, 2018	100%	Vehicle wholesale and retail
Shanghai Xiaopeng Automobile Sales Service Co., Ltd.	PRC	October 10, 2018	100%	Vehicle wholesale and retail
Guangzhou Xiaopeng Automatic Driving Technology Co., Ltd	PRC	November 18, 2019	100%	Technology development
Shanghai Xiaopeng Motors Technology Co., Ltd.	PRC	February 12, 2018	100%	Technology development and vehicle retail
Guangzhou Xiaopeng Smart Charging Technology Co. Ltd.	PRC	June 22, 2020	100%	Smart charging technology development
XSense. AI, Inc.	United States	November 27, 2018	100%	Technology development
XMotors. AI, Inc.	United States	January 05, 2018	100%	Technology development
XPeng (Hong Kong) Limited	Hong Kong	February 12, 2019	100%	Investment holding

(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, WFOE exercised its rights under the contractual arrangement and purchased 100% of Chengxing. Consequently, Chengxing became an indirect wholly owned subsidiary of XPeng Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(b) History of the Group and Reorganization (continued)**

- (2) On February 13, 2020, Zhaoqing Xiaopeng New Energy was established by (i) Zhaoqing XPeng, which is a wholly owned subsidiary of the Company, and (ii) Zhaoqing Kungpeng Motor Technology Co., Ltd. (“Zhaoqing Kungpeng”), which is jointly owned by two shareholders of the Company. Each of Zhaoqing XPeng and Zhaoqing Kungpeng subscribed for 50% of the equity interest of Zhaoqing Xiaopeng New Energy, with Zhaoqing Kungpeng’s capital contribution representing a nominal amount of RMB0 Yuan. Zhaoqing Xiaopeng New Energy holds a license for the manufacture of EVs and smart EVs which was approved by the Ministry of Industry and Information Technology (“MIIT”). Pursuant to the terms of the arrangement, Zhaoqing Kungpeng does not have substantive participating rights to and is not entitled to any economic interest in Zhaoqing Xiaopeng New Energy. Therefore, Zhaoqing Xiaopeng New Energy has historically been consolidated by the Company as Zhaoqing XPeng substantially controls the entity’s assets and operating activities and bears fully all risks and rewards of ownership.

On February 13, 2020, Zhaoqing XPeng and Zhaoqing Kungpeng entered into a share transfer agreement, among which Zhaoqing Kungpeng agreed to transfer the 50% of the equity interest in Zhaoqing Xiaopeng New Energy to Zhaoqing XPeng at the price of the higher of (i) RMB1 Yuan or (ii) the capital injection actually paid by Zhaoqing Kungpeng upon the earlier of (i) the removal of the PRC foreign investment restrictions in whole-unit vehicle industry; or (ii) December 31, 2022.

Effective from January 1, 2022, the PRC foreign investment restrictions in whole-unit vehicle industry were removed. Therefore, on January 4, 2022, Zhaoqing Kungpeng transferred its 50% equity interest in Zhaoqing Xiaopeng New Energy to Zhaoqing XPeng for a total cash consideration of RMB1 Yuan, after which Zhaoqing Xiaopeng New Energy become the Company’s indirect wholly owned subsidiary (Note 28(a)). This transfer results in the continued consolidation of Zhaoqing Xiaopeng New Energy by the Company.

- (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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(b) History of the Group and Reorganization (continued)**

<u>VIEs</u>	<u>Place of incorporation</u>	<u>Date of incorporation or acquisition</u>	<u>Principal activities</u>
Guangzhou Zhipeng IoV Technology Co., Ltd. (“Zhipeng IoV”) (Note 1(c)(i))	PRC	May 23, 2018	Business of development and the operation of an Internet of Vehicles network
Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (“Yidian Chuxing”) (Note 1(c)(ii))	PRC	May 24, 2018	Business of provision of online-hailing services through online platform
Guangzhou Xintu Technology Co., Ltd. (“Xintu Technology”) (Note 1(c)(i))	PRC	April 27, 2021	Surveying and mapping
<b>VIEs’ subsidiary</b>			
Jiangsu Zhipeng Kongjian Information Technology Co., Ltd. (“Zhipeng Kongjian”, formerly known as Jiangsu Zhitu Technology Co., Ltd.) (Note 1(c)(i))	PRC	June 23, 2021	Surveying and mapping

**(c) Variable interest entity**

(i) Zhipeng IoV which is primarily engaged in the business of development and the operation of an Internet of Vehicles network 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.

On April 27, 2021, Zhipeng IoV established Xintu Technology and became the only shareholder of Xintu Technology. On June 23, 2021, Xintu Technology acquired 100% of the equity interest of Zhipeng Kongjian which possesses surveying and mapping qualification certificate, which is determined to be an asset acquisition (Note 9(ii)).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(c) Variable interest entity (continued)**

On August 12, 2021, Guangzhou Kuntu Technology Co., Ltd. (“Kuntu Technology”), a company controlled by the Zhipeng IoV’s Nominee Shareholders, acquired 100% of the equity interest of Xintu Technology from Zhipeng IoV. On the same day, Xiaopeng Technology, Xintu Technology and Kuntu Technology 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 Xintu Technology. These agreements provide the Company, as the only shareholder of Xiaopeng Technology, with effective control over Xintu Technology to direct the activities that most significantly impact Xintu Technology’s economic performance and enable the Company to obtain substantially all of the economic benefits arising from Xintu Technology. Management concluded that Xintu Technology is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of Xintu Technology and shall consolidate the financial results of Xintu Technology in the Group’s consolidated financial statements. As of December 31, 2021, Xintu Technology did not have significant operations, nor any material assets or liabilities.

On September 6, 2021, Xiaopeng Technology (wholly owned by the Company) acquired 50% equity interests in Zhipeng IoV from Zhipeng IoV’s Nominee Shareholders. At the same time, the aforementioned contractual agreements had been modified to reflect the change of equity interests in Zhipeng IoV. 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, coupled with its 50% equity interest, results in the Company, being the VIE’s primary beneficiary, 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. As of December 31, 2021, Zhipeng IoV did not have significant operations, nor any material assets or liabilities.

(ii) Yidian Chuxing which is primarily engaged in the business of provision of online-hailing services through online platform 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.

On September 10, 2021, Xiaopeng Chuxing (wholly owned by the Company) acquired 50% equity interests in Yidian Chuxing from Yidian Chuxing’s Nominee Shareholders. At the same time, the aforementioned contractual agreements have been modified to reflect the change of equity interests in Yidian Chuxing. 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, coupled with its 50% equity interest, results in the Company, being the VIE’s primary beneficiary, 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. As of December 31, 2021, Yidian Chuxing did not have significant operations, nor any material assets or liabilities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**1. Organization and Nature of Operations (continued)**

**(d) Liquidity**

The Group has been incurring losses from operations since inception. The Group incurred net losses of RMB3,691,673, RMB2,731,985 and RMB4,863,096 for the years ended December 31, 2019, 2020 and 2021, respectively. Accumulated deficit amounted to RMB11,322,423 and RMB16,191,566 as of December 31, 2020 and 2021, respectively. Net cash used in operating activities was approximately RMB3,562,765, RMB139,766 and RMB1,094,591 for the years ended December 31, 2019, 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. With the completion of its IPO and FO on NYSE in August and December 2020, the Group received the net proceeds, after deducting the underwriting discounts and commissions, fees and offering expenses, of RMB11,409,248 and RMB15,980,227, respectively. In July 2021, with the completion of its Global Offering on HKEX, the Group received the net proceeds, after deducting the underwriting discounts and commissions, of HKD15,823,315. As of December 31, 2021, the Group's balance of cash and cash equivalents, restricted cash, excluding RMB9,917 restricted as to withdrawal or use for legal disputes, short-term deposits and short-term investments was RMB40,316,734.

Management has concluded, after giving consideration to its plans as transactions described above, the net proceeds received upon completion of IPO, FO and the Global Offering on HKEX, and existing balance of cash and cash equivalents, short-term deposits and short-term investments as of December 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies**

**(a) Basis of presentation**

The shareholders and their respective equity interests 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.

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to reflect the financial position, results of operations and cash flows of the Group. Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

**(b) Principles of consolidation**

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company is the ultimate primary beneficiary. All 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(c) Use of estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, the fair value of the redemption value of the Preferred Shares, determination of the fair value of derivative assets or liabilities arising from forward exchange contracts, determination of the fair value of debt investments accounted for under the fair value option as well as subsequent adjustments due to significant observable price changes for equity investments without readily determinable fair values and not accounted for by the equity method.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

**(d) Functional currency and foreign currency translation**

The Company uses Renminbi ("RMB") as its reporting currency. The functional currencies of the Company and its subsidiaries which are incorporated in the Cayman Islands, British Virgin Islands, United States, Hong Kong and other regions is United States dollars ("US\$") or their respective local currencies, while the functional currencies of the other subsidiaries and VIEs which are incorporated in the PRC 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 total shareholders' (deficit) equity.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(e) 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 and notes receivable, installment payment receivables, long-term deposits, long-term investments, derivative assets, other assets, accounts and notes payable, short-term borrowings, lease liabilities, accruals and other liabilities, derivative liabilities and long-term borrowings. As of December 31, 2020 and 2021, the carrying values of these financial instruments, except for other non-current assets, long-term deposits, long-term borrowings and non-current portion for lease liabilities, approximated their respective fair values due to the short-term maturity of these instruments.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(e) Fair value (continued)**

Financial assets and liabilities that are measured at fair value on a recurring basis consist of short-term investments, debt investments that are accounted for under the fair value option 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 forward exchange contracts, are classified within Level II of the fair value hierarchy because they are floating income products linked to currency exchange rate, gold market price or benchmark interest rates. These instruments 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 debt investments that are accounted for under the fair value option (Note 13) and derivative liabilities relating to the redemption right that meet the definition of a derivative (Note 21). Both debt investments that are accounted for under the fair value option and derivative liabilities are initially measured at fair value with changes in fair value in the subsequent periods recognized through earnings. Such debt investments that are accounted for under the fair value option and derivative liabilities in relation to the redemption right that meet the definition of a derivative are classified within Level III of the fair value hierarchy, as there is little or no observable market data to determine the respective fair values. Under these circumstances, the Company has adopted certain valuation techniques using unobservable inputs to measure their respective fair values.

**(f) 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, 2020		As of December 31, 2021	
	Amount	RMB equivalent	Amount	RMB equivalent
Cash and cash equivalents:				
RMB	4,428,120	4,428,120	8,513,644	8,513,644
US\$	3,793,451	24,781,268	281,083	1,788,100
HKD	—	—	852,743	695,738
Others	—	—	not applicable	27,424
Total		<u>29,209,388</u>		<u>11,024,906</u>

As of December 31, 2020 and 2021, substantially all of the Group's cash and cash equivalents were held in reputable financial institutions located in the PRC, Hong Kong and United States.

**(g) Restricted cash**

Restricted cash primarily represents bank deposits for letters of credit, bank notes and forward exchange contracts amounted to RMB2,296,560 and RMB600,058 as of December 31, 2020 and 2021, respectively. In addition, restricted cash includes certain deposits, amounting to RMB35,585 and RMB9,917, as of December 31, 2020 and December 31, 2021, respectively, that are restricted due to legal disputes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(h) Short-term and long term deposits**

Short-term deposits 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 presented. As of December 31, 2020 and 2021, substantially all of the Group's short-term deposits amounting to RMB979,897 and RMB25,858,007, respectively, had been placed in reputable financial institutions in the PRC.

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 periods presented. As of December 31, 2020 and 2021, substantially all of the Group's long-term deposits amounting to nil and RMB3,217,266, respectively, had been placed in reputable financial institutions in the PRC.

**(i) 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 recorded in accumulated deficit.

The Group's accounts and notes receivable, other current assets, and installment payment 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 installment payment receivables, which include size, types 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 and supportable forecasts of future economic conditions in assessing the lifetime expected credit losses. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter end based on the Group's specific facts and circumstances. For the years ended December 31, 2020 and 2021, the Group recorded RMB10,039 and RMB69,731 in expected credit loss expense in selling, general and administrative expenses, respectively. As of December 31, 2020, the expected credit loss provision recorded in current and non-current assets were RMB8,220 and RMB4,287, respectively. As of December 31, 2021, the expected credit loss provision recorded in current and non-current assets were RMB34,198 and RMB32,898, respectively.

The Group typically does not record significant accounts and notes receivable related to vehicle sales and other services as customer payments are due prior to vehicle delivery, except for vehicle sales which include government subsidies that are collected from the government on behalf of customers.

Installment payment receivables primarily consist of the aggregate receivables of the installment payments for vehicles or batteries due from customers. The Group classified its installment payment receivables into different categories from performing to non-performing based on the credit risk of the customers and the past due days, if any, of the principal and/or interest repayments. The lifetime current expected credit losses for the installment payment receivables was determined by applying probability of default and loss given default assumptions to exposures at default, then discounted these cash flows to present value using the original effective interest rate or by an approximation thereof. As of December 31, 2020 and 2021, the majority of the installment payment receivables had been categorized as performing since the customers had a low risk of default, a strong capacity to meet contractual cash flows and had no past due repayments and the amounts of installment payment receivables of other categories were immaterial.

The Group considers historical credit loss rates for each category of deposits and other receivables and also considers forward looking macroeconomic data in making its loss accrual determinations. The Group has made specific credit loss provisions on a case-by-case basis for particular aged receivable balances.

The Group's expected credit loss of cash and cash equivalents, restricted cash, time deposit in bank within the scope of ASC Topic 326 were immaterial.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(i) Current expected credit losses (continued)**

The following table summarizes the activity in the allowance for credit losses related to accounts and notes receivable, other current assets and installment payment receivables for the year ended December 31, 2020 and 2021:

	<b>For the Year Ended December 31, 2020</b>
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	10,039
Write-offs	(4,251)
Balance as of December 31, 2020	12,507
	<b>For the Year Ended December 31, 2021</b>
Balance as of December 31, 2020	12,507
Current period provision	69,731
Write-offs	(15,142)
Balance as of December 31, 2021	67,096

**(j) 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 RMB2,820,711 and RMB2,833,763 as of December 31, 2020 and 2021, respectively.

**(k) 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 condition, which approximates actual cost using the 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.

Inventory write-downs of RMB109,505, RMB92,612 and RMB162,433 were recognized in cost of sales for the years ended December 31, 2019, 2020 and 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(l) 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 molds and toolings is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive units 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. Losses on the disposal of property, plant and equipment amounting to RMB1,191, RMB6,167 and RMB36,508 were recognized in operating expenses during the years ended December 31, 2019, 2020 and 2021, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(m) Intangible assets, net**

Intangible assets consist of manufacturing license, surveying and mapping qualification, 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 may have changed.

Intangible assets that have indefinite useful lives were manufacturing license, surveying and mapping qualification and license plates as of December 31, 2021. No useful life was determined in the contract terms when the Group acquired the manufacturing license, surveying and mapping qualification and license plates. The Group expects that the manufacturing license, surveying and mapping qualification and license plates 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 as at 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 performs 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, the surveying and mapping qualification certificate and the manufacturing license were impaired as of December 31, 2020 and 2021. As such, no impairment of indefinite-lived intangible assets was recognized for the years ended December 31, 2019, 2020 and 2021.

**(n) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(o) Long-term investments**

The Group's long-term investments include equity investments, over which the Group has neither significant influence nor control, and debt investments.

*Equity Investments with Readily Determinable Fair Values*

Equity investments with readily determinable fair values are measured and recorded at fair value using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level I of fair value measurements.

*Equity Investments without Readily Determinable Fair Values*

The Group elected to record equity investments without readily determinable fair values using the measurement alternative at cost, less impairment, adjusted for subsequent observable price changes on a nonrecurring basis, and report changes in the carrying value of the equity investments in current earnings. Changes in the carrying value of the equity investments are required to be made whenever there are observable price changes in orderly transactions for the identical or similar investment of the same issuer. The implementation guidance notes that an entity should make a "reasonable effort" to identify price changes that are known or that can reasonably be known.

*Debt Investments*

The Group elected to account for certain debt investments under the fair value option including convertible bonds, and preferred stock redeemable merely by the passage of time and at the option of the Group as a holder. The fair value option permits the irrevocable election on an instrument-by-instrument basis at initial recognition or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option are carried at fair value with unrealized gains and losses recorded in the consolidated statements of comprehensive loss. Interest income from debt investments is recognized in earnings using the effective interest method which is reviewed and adjusted periodically based on changes in estimated cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(p) 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.

**(q) Warranties**

The Group provided a manufacturer's standard warranty on all vehicles sold. The Group accrued for a warranty reserve for the vehicles sold by the Group, which included the Group's best estimate of the future costs to be incurred in order to repair or replace items under warranties and recalls when identified. These estimates were made based on actual claims incurred to date and an estimate of the nature, frequency and magnitude of future claims with reference made to the past claim history. 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 does not consider standard warranty as being a separate performance obligation as it is intended to provide greater quality assurance to customers and is not viewed as a distinct obligation. Accordingly, standard warranty is accounted for in accordance with ASC 460, Guarantees. The Group also provides extended lifetime warranty which is sold separately through a vehicle sales contract. The extended lifetime warranty is an incremental service offered to customers and is considered a separate performance obligation distinct from other promises and should be accounted for in accordance with ASC 606.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(r) 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 primarily result from the multiple performance obligations identified in the vehicle sales contract, which are recorded as deferred revenue and recognized as revenue based on the consumption of the services or the delivery of the goods.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(r) Revenue recognition (continued)**

*Vehicle sales*

The Group generates revenue from sales of electric vehicles, together with a number of embedded products and services through a contract. There are multiple distinct performance obligations explicitly stated in a sales contract including sales of vehicle, free battery charging within 4 years or 100,000 kilometers, extended lifetime warranty, option between household charging pile and charging card, vehicle internet connection services, services of lifetime free battery charging in XPeng-branded super charging stations and lifetime warranty of battery, which are defined by the Group's sales policy and 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 the relevant application information.

In the instance that some eligible customers select to pay by installments for vehicles or batteries under an auto financing program provided to the customers by the Group, such arrangement contains a significant financing component and as a result, the transaction price is adjusted to reflect the impact of time value of the transaction price using an applicable discount rate (i.e. the interest rates of the loan reflecting the credit risk of the borrower). The Group allocates the financing amount to all performance obligations proportionately based on their relative selling prices, as conditions prescribed under ASC 606-10-32-37 are not met.

Receivables related to the vehicle and battery installment payments are recognized as installment payment receivables. The difference between the gross receivable and the respective present value is recorded as unrealized finance income. Interest income resulting from arrangements with a significant financing component is presented as other sales.

The overall contract price of electric vehicle and related products/services 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 battery warranty, given limited operating history and lack of historical data, the Group recognizes revenue over time based on a straight-line method initially. The Group will continue monitoring the cost patterns periodically and adjust the timing of revenue recognition, as necessary, in order to reflect differences between actual costs incurred versus the straight line cost attribution. For the free battery 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 is typically a promise to deliver the underlying service rather than a promise to stand ready. For the services of lifetime free battery charging in XPeng-branded super charging stations, the Group recognizes the revenue over time based on a 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 are 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 relating to those unperformed obligations. At the same time, advances from customers are classified as a contract liability (deferred revenue) as part of the consideration.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(r) Revenue recognition (continued)**

*Vehicle sales (continued)*

XPILOT, the Group's intelligent driving system, provides assisted driving and parking functions tailored for different driving behaviors 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 over a three-year period. XPILOT 3.0 will feature several new functions, including a navigation guided pilot for highway driving and advanced intelligent parking. Revenue related to XPILOT 3.0 is recognized at a point in time when intelligent driving functionality of XPILOT 3.0 is activated and transferred to the customers.

*Other services*

The Group provides other services to customers including services embedded in a sales contract, super charging service, maintenance service, technical support services, ride hailing services, auto financing services and others.

Services embedded in a sales contract may include free battery 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 battery charging services in XPeng-branded charging station. Other services also include super charging service, maintenance service and technical support services. 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 agreements entered into with them. The Group believes it acts as a principal 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.

*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, parts replacement service and others, 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(r) Revenue recognition (continued)**

*Customer Upgrade Program*

In the third quarter of 2019, due to the upgrade of the G3 vehicle from the 2019 version (“G3 2019”) to its 2020 version (“G3 2020”), the Group voluntarily offered all owners of G3 2019 the options to either receive loyalty points, valid for 5 years from 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 had to choose one out of the two options within 30 days after receiving the notice. Anyone who did not make the choice before the date was deemed to forgo the rights to the options. At the time the offers were made, the Group still had unfulfilled performance obligations for services to the owners of G3 2019 associated with their original purchase. The Group considered this offering is to improve the satisfaction of the owners of G3 2019 but not the result of any defects or resolving past claims regarding the G3 2019.

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 these additional rights, the contract modification is accounted for as a 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 time of the contract modification. This reallocation is based on the relative stand-alone selling prices of these goods and services.

For the material right attached with loyalty points, the Group estimated the probability of points redemption when determining the stand-alone selling price. Due to the fact that most merchandises can be redeemed without requiring a significant amount of points, as compared with the amount of points granted to the 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 granted on the new vehicle purchase. The Group estimated the potential forfeiture rate based on the market expectation of the possibility of future buying and applied the forfeiture rate when determining the stand-alone selling price at the date of 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(s) Cost of sales**

*Vehicle*

Cost of vehicle revenue includes direct parts, materials, labor costs and manufacturing overheads (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 parts, materials, labor costs, installment costs, costs associated with providing non-warranty after-sales services and depreciation of associated assets used for providing the services.

Cost of ride hailing services revenue also includes agent and service fees paid to third party agents and revenue sharing fees to a third party data supporting entity.

**(t) Research and development expenses**

All costs associated with research and development (“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, 2019, 2020 and 2021, R&D expenses were RMB2,070,158, RMB1,725,906 and RMB4,114,267 respectively.

**(u) 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. For the years ended December 31, 2019, 2020 and 2021, advertising costs were RMB168,170, RMB517,135 and RMB873,256, respectively, and total sales and marketing expenses were RMB668,602, RMB1,737,765 and RMB4,276,366 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, 2019, 2020 and 2021, general and administrative expenses were RMB495,967, RMB1,182,884 and RMB1,029,067, respectively.

**(v) 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 RMB215,046, RMB152,361 and RMB466,444 for the years ended December 31, 2019, 2020 and 2021, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(w) 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. Specific subsidies relating to interest expense already capitalized are accounted for as a reduction in such a capitalized amount with the subsidy benefit reflected over the related asset useful life through reduced depreciation expense. Specific subsidies relating to interest expenses incurred are initially recognized as a liability if the amount is received in advance (of the incurrence of interest expense). Such amounts would then reduce related interest expense when incurred. Other subsidies are recognized as other income upon receipt as further performance by the Group is not required.

**(x) Other income, net**

For the years ended December 31, 2019, 2020, other income, net mainly represents other subsidies that are recognized upon receipt recognized in profit or loss of RMB12,294 and RMB86,830, as further performance by the Group is not required.

For the year ended December 31, 2021, other income, net mainly represents other subsidies that are recognized upon receipt recognized in profit or loss of RMB350,596, as further performance by the Group is not required, offset partially by relocation and disposal cost of RMB132,856 related to the Haima Plant (Note 20).

For the year ended December 31, 2021, other subsidies recognized in other income mainly consisted of government subsidies of RMB214,486 to subsidize its repayment of the long-term borrowings of RMB700,000 due to Zhaoqing High-tech Zone before the original due date (Note 15).

**(y) 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, 2019, 2020 and 2021. As of December 31, 2020 and 2021, the Group did not have any significant unrecognized uncertain tax positions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(z) Share-based compensation**

The Group grants restricted share units (“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 services through the satisfaction of the occurrence of change of control or an IPO (“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.

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”).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(z) Share-based compensation (continued)**

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:

In the year ended December 31, 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 had been 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(aa) 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.

For the years ended December 31, 2019, 2020 and 2021, appropriations to general reserve fund and statutory surplus fund amounted to nil, nil and RMB6,047, respectively.

**(ab) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(ac) 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

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, 2020 and 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(ac) Leases (continued)**

(b) As a lessor

The Group provides vehicle leasing service to customers under 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.

**(ad) Dividends**

Dividends are recognized when declared. No dividends was declared for the years ended December 31, 2019, 2020 and 2021, respectively.

**(ae) 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 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**2. Summary of Significant Accounting Policies (continued)**

**(af) 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 Group's financial results or financial position.

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 Group's financial results or financial position.

**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 Group's financial results or financial position.

In November 2021, the FASB issued ASU No. 2021-10, Government Assistance (Topic 832). This ASU requires business entities to disclose information about government assistance they receive if the transactions were accounted for by analogy to either a grant or a contribution accounting model. The disclosure requirements include the nature of the transaction and the related accounting policy used, the line items on the balance sheets and statements of operations that are affected and the amounts applicable to each financial statement line item and the significant terms and conditions of the transactions. The ASU is effective for annual periods beginning after December 15, 2021. The disclosure requirements can be applied either retrospectively or prospectively to all transactions in the scope of the amendments that are reflected in the financial statements at the date of initial application and new transactions that are entered into after the date of initial application. The ASU is currently not expected to have a material impact on the Group's financial results or financial position.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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, long-term deposits and short-term investment. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2020 and 2021, substantially all of the Group's cash and cash equivalents, restricted cash, short-term deposits, long-term deposits and short-term investments were placed with certain reputable financial institutions in the PRC and overseas. 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, long-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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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.

**Fair value measurement on a recurring basis**

Assets and liabilities that were measured at fair value on a recurring basis were as follows:

	As of December 31, 2020				As of December 31, 2021			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
<b>Assets</b>								
Short-term investments (Note 2(j))	2,820,711	—	2,820,711	—	2,833,763	—	2,833,763	—
Derivative assets – forward exchange contract (Note 2(e))	105,183	—	105,183	—	—	—	—	—
Debt investments(i) (Note 13)	—	—	—	—	1,338,822	—	—	1,338,822
	<u>2,925,894</u>	<u>—</u>	<u>2,925,894</u>	<u>—</u>	<u>4,172,585</u>	<u>—</u>	<u>2,833,763</u>	<u>1,338,822</u>
<b>Liabilities</b>								
Derivative liabilities - forward exchange contract (Note 2(e))	—	—	—	—	48,605	—	48,605	—

- (i) Debt investments do not have readily determinable market value, which were categorized as Level III in the fair value hierarchy. The Group uses a combination of valuation methodologies, including equity allocation model, market and income approaches based on the Group's best estimate, which is determined by using information including but not limited to the pricing of recent rounds of financing of the investees, future cash flow forecasts, liquidity factors and multiples of comparable companies. Since the debt investments were acquired at the end of 2021, no significant change in its fair value as of December 31, 2021.

**Fair value measurement on a non-recurring basis**

The Group 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). An observable price change is usually resulting from new rounds of financing of the investees. The Group determines whether the securities offered in new rounds of financing are similar to the equity securities held by the Group 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 Group, it 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 Group by using the backsolve method based on the equity allocation model with adoption of some key parameters such as risk-free rate, equity volatility, probability of each scenario and dividend yield.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**6. Inventory**

Inventory consisted of the following:

	As of December 31,	
	2020	2021
Finished goods	943,945	1,042,719
Raw materials	387,524	1,605,197
Work-in-process	11,556	14,005
Total	<u>1,343,025</u>	<u>2,661,921</u>

Raw materials primarily consist of materials for volume production.

Work-in-process primarily consist of P7, G3i and P5 in production which will be transferred into production costs 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 sales at its delivery and service centers, vehicle parts and charging piles.

For the years ended December 31, 2019, 2020 and 2021, write-downs of inventories to net realizable value amounted to RMB109,505, RMB92,612 and RMB162,433, respectively, which were recognized in cost of sales.

**7. Prepayments and Other Current Assets**

Prepayments and other current assets consisted of the following:

	As of December 31,	
	2020	2021
Prepayments	909,327	1,300,805
Deductible input value-added tax	521,630	484,257
Deposits	30,006	83,939
Receivables from third party online payment service providers	16,988	78,620
Derivative assets (Note 5)	105,183	—
Others	125,335	301,062
Total	<u>1,708,469</u>	<u>2,248,683</u>

Prepayments primarily consist of prepayments 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**8. Property, Plant and Equipment, Net**

Property, plant and equipment, net, consisted of the following:

	As of December 31,	
	2020	2021
Construction in process	223,875	1,760,259
Molds and toolings	938,611	1,178,385
Machinery and equipment	1,047,461	1,123,512
Buildings	726,820	860,556
Vehicles	328,555	717,976
Leasehold improvements	216,923	376,219
Charging infrastructure	45,835	262,678
Computer and electronic equipment	87,304	147,273
Others	57,904	93,950
Sub-total	<u>3,673,288</u>	<u>6,520,808</u>
Less: Accumulated depreciation	(456,319)	(1,002,246)
Less: Impairment	(135,467)	(93,786)
Property, plant and equipment, net	<u>3,081,502</u>	<u>5,424,776</u>

The Group recorded depreciation expenses of RMB125,453, RMB302,974 and RMB573,247 for the years ended December 31, 2019, 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 internal operations.

Construction in progress primarily consists of the construction of Wuhan, Guangzhou and Zhaoqing manufacturing plants and molds, toolings, machinery and equipment relating to the manufacturing of the Group's vehicles. During the years ended December 31, 2019, 2020 and 2021, the Group capitalized RMB38,483, RMB26,351 and RMB10,598 of gross interest expenses, respectively. Government subsidies related to capitalized interest expense were accounted for as a reduction of such amounts capitalized in connection with the construction of the manufacturing plants. The benefits of these subsidies will be reflected through reduced depreciation charges over the useful lives of these assets. Government subsidies relating to expensed interests are recognized as a liability if received in advance (of the incurrence of the interest expense). Such amounts, when recognized, will reduce the respective interest expenses to which the subsidies relate. In April 2020, the construction of Zhaoqing manufacturing plant had been completed and transferred to respective fixed assets.

The accumulated impairment loss was RMB135,467 and RMB93,786 as of December 31, 2020 and 2021, respectively, primarily due to the upgrade of the G3 in 2020 and the G3i in 2021.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**9. Intangible Assets, Net**

Intangible assets and related accumulated amortization consisted of the following:

	As of December 31, 2020			As of December 31, 2021		
	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated amortization	Net Carrying Amount
<b>Finite-lived intangible assets</b>						
Software	114,118	(29,264)	84,854	158,589	(55,052)	103,537
License of maintenance and overhauls	2,290	(2,290)	—	2,290	(2,290)	—
Total finite-lived intangible assets	<u>116,408</u>	<u>(31,554)</u>	<u>84,854</u>	<u>160,879</u>	<u>(57,342)</u>	<u>103,537</u>
<b>Indefinite-lived intangible assets</b>						
Manufacturing license <sup>(i)</sup>	494,000	—	494,000	494,000	—	494,000
Surveying and mapping qualification <sup>(ii)</sup>	—	—	—	250,000	—	250,000
License plates	28,927	—	28,927	31,187	—	31,187
Total indefinite-lived intangible assets	<u>522,927</u>	<u>—</u>	<u>522,927</u>	<u>775,187</u>	<u>—</u>	<u>775,187</u>
Total intangible assets	<u>639,335</u>	<u>(31,554)</u>	<u>607,781</u>	<u>936,066</u>	<u>(57,342)</u>	<u>878,724</u>

The Group recorded amortization expenses of RMB7,681, RMB20,169 and RMB25,875 for the years ended December 31, 2019, 2020 and 2021, respectively.

Total future amortization expenses for finite-lived intangible assets were estimated as follows:

Within 1 year	28,402
Between 1 and 2 years	27,877
Between 2 and 3 years	25,960
Between 3 and 4 years	15,800
Between 4 and 5 years	5,168
Thereafter	330
Total	<u>103,537</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**9. Intangible Assets, Net (continued)**

(i) In March 2020, the Group acquired a 100% equity interest in a company (the “Acquiree”) for a cash consideration of RMB510 million. Shortly thereafter, in June 2020, the Acquiree was sold for RMB16 million in cash. The net consideration of RMB494 million was allocated to the manufacturing license which was the principal asset of the Acquiree and eventually retained by the Group after the sale. This transaction was structured and accounted for as an asset acquisition, where the retained asset constituted substantially the Acquiree’s value and has an indefinite life (under PRC regulations the license does not have a prescribed period for valid use). No impairment was recognized for the license as of December 31, 2020 and 2021.

**(ii) Acquisition of the 100% equity interest in Zhipeng Kongjian**

On May 20, 2021, the Group entered into a restructuring agreement to acquire 100% of the equity interests of Zhipeng Kongjian at a cash consideration of RMB250 million during the bankruptcy procedures undertaken by Zhipeng Kongjian. Subsequently, Zhipeng Kongjian became a subsidiary of a VIE of the Group through a series of arrangements made (Note 1(c)). Zhipeng Kongjian is primarily engaged in the operations of land surface mobile surveying and preparing true three-dimensional maps and navigation electronic maps and it possesses a surveying and mapping qualification certificate. Upon completion of the acquisition on June 23, 2021, the consideration of RMB250 million was mainly allocated to the surveying and mapping qualification certificate since other assets retained by Zhipeng Kongjian was immaterial, and the Acquisition was determined to be an asset acquisition for accounting purpose. The useful life of this certificate is assessed as indefinite as it is expected that there is no difficulty for the Group to renew the valid period of the qualification under the relevant PRC laws and regulations. No impairment was recognized for the certificate as of December 31, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**10. Land Use Rights, Net**

Land use rights and related accumulated amortization consisted of the following:

	As of December 31,	
	2020	2021
Land use rights	264,886	620,065
Less: Accumulated amortization	(14,952)	(24,594)
Total land use rights, net	<u>249,934</u>	<u>595,471</u>

In November 2017, February 2018, May 2018, January 2021 and July 2021, the Group acquired land use rights to build factories for manufacturing vehicles of the Group in Zhaoqing and Guangzhou of Guangdong province, and Wuhan of Hubei province, the PRC.

The Group recorded amortization expenses for land use rights of RMB5,323, RMB5,323 and RMB9,642 for the years ended December 31, 2019, 2020 and 2021, respectively.

**11. Installment Payment Receivables, Net**

Installment payment receivables relating to the installment payments for vehicles and batteries from customers consisted of the following:

	As of December 31,	
	2020	2021
Current portion of installment payment receivables, net	156,069	887,202
Non-current portion of installment payment receivables, net	397,467	1,863,492
Total	<u>553,536</u>	<u>2,750,694</u>

The Group recognized interest income resulting from a significant financing component of RMB4,929, RMB17,115 and RMB89,895 for the years ended December 31, 2019, 2020 and 2021, respectively.

As of December 31, 2020, an allowance for credit losses of RMB4,287 had been provided for the current portion of installment payment receivables of RMB156,068 and long-term portion of installment payment receivables of RMB401,755.

As of December 31, 2021, an allowance for credit losses of RMB51,131 had been provided for the current portion of installment payment receivables of RMB905,435 and long-term portion of installment payment receivables of RMB1,896,390.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**11. Installment Payment Receivables, Net (continued)**

Payment maturity analysis of installment payment receivables for vehicles and batteries for each of the next five years and a reconciliation of the gross receivables to the present value are as follows:

	<u>As of December 31,</u> <u>2021</u>
Within 1 year	1,029,526
Between 1 and 2 years	920,142
Between 2 and 3 years	598,274
Between 3 and 4 years	382,075
Between 4 and 5 years	184,498
Thereafter	5,530
<b>Total receivables of installment payments</b>	<b>3,120,045</b>
Less: Unrealized finance income	(318,220)
<b>Installment payment receivables, gross</b>	<b>2,801,825</b>
Less: Allowance for installment payment receivables	(51,131)
<b>Installment payment receivables, net</b>	<b>2,750,694</b>

**12. Other Non-current Assets**

Other non-current assets consisted of the following:

	<u>As of December 31,</u>	
	<u>2020</u>	<u>2021</u>
Prepayment for purchase of land use rights(i)	130,260	1,507,170
Long-term deposits(ii)	60,655	128,791
Prepayments for subscription of equity securities(iii)	—	50,000
Prepayments for purchase of property and equipment	37,212	20,888
Others	506	23,637
<b>Total</b>	<b>228,633</b>	<b>1,730,486</b>

- (i) As of December 31, 2020 and 2021, prepayment for purchase of land use rights represent the cash considerations paid to acquire the land use rights for the constructions of manufacturing plants and R&D buildings.
- (ii) Long-term deposits primarily consist of deposits for offices and retail and service centers whose lease expiration dates are not within one year.
- (iii) In December 2021, the Group prepaid RMB50,000 to subscribe certain common shares of a company engaged in research, development, production and sales of semiconductors, which was subsequently converted into common shares in January 2022.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**13. Long-term investments**

Long-term investments consisted of the following:

	Equity investments without readily determinable fair values <sup>(i)</sup>	Debt investments <sup>(ii)</sup>	Total
<b>Balance at December 31, 2020</b>	1,000	—	1,000
Additions	209,900	749,955	959,855
Fair value change through earnings	—	591,506	591,506
Foreign currency translation	(546)	(2,639)	(3,185)
<b>Balance at December 31, 2021</b>	<u>210,354</u>	<u>1,338,822</u>	<u>1,549,176</u>

**(i) Equity investments without readily determinable fair values**

*Investment in Dogotix Inc. (“Dogotix”)*

Dogotix is a company incorporated in the Cayman Islands with limited liability and is mainly engaged in research and development of robots with human-robot interaction function. In April 2021, the Group acquired minority preferred equity interests of Dogotix, a related party of the Group, for a total cash consideration of RMB19,900 during Dogotix’s Angel round of fund raising. 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 considered as equity securities that do not have readily determinable fair values given that it is a privately held company. Accordingly, the Group elected to use the measurement alternative under ASC 321 to measure such investment.

*Other equity investments*

In December 2021, the Group acquired minority common equity interests of a company, engaged in manufacturing of batteries for new energy vehicles for a total cash consideration of RMB190,000. The equity interests in common stock do not have readily determinable fair values because the investee is a privately held company. Accordingly, the Group elected to use the measurement alternative under ASC 321 to measure such investment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**13. Long-term investments (continued)**

**(ii) Debt investments**

*Investment in HT Flying Car Inc. (“Huitian”)*

Huitian is a company incorporated in the Cayman Islands with limited liability and is mainly engaged in research, development, production and sales of flying vehicles. In January 2021, the Group acquired minority preferred equity interests of Huitian (“Huitian’s Series Angel preferred shares”), a related party of the Group, for a total consideration of RMB24,551 during Huitian’s Angel round of fund raising. 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. Huitian’s Series Angel preferred shares investment are considered equity securities that do not have readily determinable fair values given that it is a privately held company. Accordingly, upon the acquisition of the minority preferred equity interests of Huitian, the Group elected to use the measurement alternative under ASC 321 to measure such investment.

In October 2021, the Group further invested US\$90,000, equivalent to RMB574,146 as of the injection date, into Huitian during Huitian’s A round of fund raising. Among this investment, US\$70,000 was in form of preferred shares (“Huitian’s Series A preferred shares”) and US\$20,000 was in form of a convertible bond. Concurrently, Huitian’s Series Angel preferred shares previously acquired by the Group in January 2021 were modified to align with the terms of the newly invested Huitian’s Series A preferred shares. The Group concluded that both Huitian’s Series Angel and Series A preferred shares investment are debt securities since Huitian’s Series Angel (with now modified terms) and Series A preferred shares held by the Group are redeemable merely by the passage of time and redeemable at the option of the Group.

In anticipation of the change in accounting model applicable to Huitian’s Series Angel preferred shares as a result of the modification, the Group opted to change its measurement accounting policy relating to Huitian’s Series Angel preferred shares as permitted by ASC 321, and elected to measure the original Huitian’s Series Angel preferred shares at fair value immediately before the modification (discussed in the preceding paragraph). The difference of RMB591,506 between the carrying value and the fair value of Huitian’s Series Angel preferred shares immediately before the modification was recognized in earnings. The Group then reclassified Huitian’s Series Angel preferred shares from equity securities to debt securities upon the modification. The modified Huitian’s Series Angel preferred shares investment together with the new Series A preferred shares investment will be measured on an ongoing basis at fair value with changes recognized in earnings. In addition, the convertible bond (acquired in October 2021) held by the Group in Huitian was also accounted for under the fair value option.

*Investment in Dogotix*

In October 2021, the Group acquired Dogotix’s convertible bonds in the amount of US\$6,440 (equivalent to RMB41,258 as of injection date) and elected to account for this investment at fair value option.

*Other principal debt investments*

In December 2021, the Group acquired minority preferred equity interests of a company engaged in research, development, production and sales of LiDAR for a total cash consideration of RMB100,000. The preferred shares held by the Group become redeemable merely by the passage of time and is redeemable at the option of the Group as a holder. Accordingly, the Group elected to account for this investment under the fair value option.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**14. Accruals and Other Liabilities**

Accruals and other liabilities consisted of the following:

	As of December 31,	
	2020	2021
Payables for R&D expenses	197,751	939,488
Payables for purchase of property, plant and equipment	596,527	843,732
Employee compensation payable	326,081	810,730
Payables for marketing events	362,570	679,120
Accrued expenses	145,174	364,647
Deposits from third parties	108,301	241,468
Advance from customers	5,437	208,281
Non-controlling interests <sup>(i)</sup>	98,010	106,596
Warranty provisions	31,594	105,068
Interest payables	61,997	54,191
Derivative liabilities (Note 5)	—	48,605
Refundable deposit from customers	213,928	18,752
Others	108,795	390,429
Total	<u>2,256,165</u>	<u>4,811,107</u>

Accrued expenses primarily included 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 decrease 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 and RMB10 paid in capital in Kunpeng Kechuang LLP in return for 24.5% and 0.0025%, of the interests in the partnership, respectively. On October 22, 2019 and October 24, 2019, Industrial Fund and Shenzhen Antuo injected RMB98,000 and RMB10 in cash to Kunpeng Kechuang LLP, respectively. Pursuant to the investment agreement, Industrial Fund and Shenzhen Antuo do not have substantive participating rights in Kunpeng Kechuang LLP nor they are able to transfer their interests 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, or upon Industrial Fund’s request, to purchase from Industrial Fund all of its interests 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 the exit of Industrial Fund, Kunpeng Kechuang LLP will be dissolved and Shenzhen Antuo will be entitled to its investment amount paid amounted to RMB10. Based on such arrangements, 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.

The interest payable for the investment by Industrial Fund calculated at the current annual interest rate of the 3-year Treasury Bond in the PRC amounted to RMB8,586 as of December 31, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**15. Borrowings**

Borrowings consisted of the following:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2021</b>
<b>Current</b>		
Short-term borrowings:		
Bank loans	127,900	—
Current portion of long-term borrowings	45,000	—
<b>Total current borrowings</b>	<b>172,900</b>	<b>—</b>
<b>Non-Current</b>		
Long-term borrowings:		
Bank loans	845,000	1,575,106
Other loans	800,000	100,000
<b>Total non-current borrowings</b>	<b>1,645,000</b>	<b>1,675,106</b>
<b>Total borrowings</b>	<b>1,817,900</b>	<b>1,675,106</b>

As of December 31, 2020, the Group had short-term borrowings from three banks of RMB127,900 in aggregate. The effective interest rate of these borrowings is 4.17% to 4.99% per annum. As of December 31, 2021, the Group had no any short-term borrowings.

In 2019, the Group entered into long-term loan agreements with a bank in the PRC of total principals of RMB150,000, 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, 2020, the principal amount of RMB45,000 was due within 12 months after the reporting period and presented as current liabilities and the principal amount of RMB45,000 was present as non-current liabilities. As of December 31, 2021, the principal amount of RMB90,000 was repaid in advance.

In May 2017, Zhaoqing XPeng obtained a facility, specified for financing the expenditures of the construction of Zhaoqing manufacturing plant, of up to RMB1,600,000 from Zhaoqing High-tech Zone Construction Investment Development Co., Ltd. (“Zhaoqing High-tech Zone”). In December 2020, RMB800,000 out of the RMB1,600,000 borrowings from Zhaoqing High-tech Zone was repaid and concurrently a borrowing equivalent to RMB800,000 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 and 2021, the effective interest rate of the RMB800,000 loans from Zhaoqing High-tech Zone and the RMB800,000 bank loans was 4.90% and 4.98% per annum, respectively. For the remaining RMB800,000 loans from Zhaoqing High-tech Zone, RMB200,000 will mature on January 31, 2027 and RMB600,000 will mature on January 31, 2028. Moreover, the Group received subsidies from the local government for interest expenses incurred associated with the borrowings. For the years ended December 31, 2019, 2020 and 2021, upon the acceptance of subsidy application by the local government, the Group recognized the subsidies to reduce the interest expenses capitalized in the construction costs of Zhaoqing manufacturing plant or to reduce the related interest expenses as incurred, if any. As of December 31, 2021, the principal amount of RMB700,000 loans due to Zhaoqing High-tech Zone and RMB8,000 of the bank loans had been repaid before the original due date.

In July 2021, Guangzhou Xiaopeng New Energy Automobile Co., Ltd. obtained a facility, specified for financing the expenditures of the construction of Guangzhou manufacturing plant, of up to RMB1,120,000 from a bank in the PRC. As of December 31, 2021, RMB408,446 had been drawn from the bank with an effective interest rate of 5.42% per annum. For the year ended December 31, 2021, the Group recognized the subsidies to reduce the interest expenses capitalized in the construction costs of Guangzhou manufacturing plant, upon the acceptance of subsidy application by the local government, if any.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**15. Borrowings (continued)**

In September 2021, Xiaopeng Automobile Central China (Wuhan) Co., Ltd. obtained a facility, specified for financing the expenditures of the construction of Wuhan manufacturing plant, of up to RMB3,000,000 from a syndicate of banks in the PRC. As of December 31, 2021, RMB374,660 had been drawn from the banks with an effective interest rate of 4.65% per annum. For the year ended December 31, 2021, the Group recognized the subsidies to reduce the interest expenses capitalized in the construction costs of Wuhan manufacturing plant, upon the acceptance of subsidy application by the local government, if any.

Certain of the Group's banking facilities are subject to the fulfillment of certain financial covenants, including the current ratio and liabilities to assets ratio tests, which 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, 2020 and 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, 2020 and 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**16. Other Non-Current Liabilities**

Other non-current liabilities consisted of the following:

	As of December 31,	
	2020	2021
Non-controlling interests <sup>(i)</sup>	—	1,708,062
Government grants <sup>(ii)</sup>	217,682	174,005
Warranty provisions <sup>(iii)</sup>	79,757	266,072
Total	<u>297,439</u>	<u>2,148,139</u>

(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, RMB10 and RMB160,000 paid in capital in Kunpeng Chuangye LLP in return for 55.5540%, 0.0028% and 44.4432% of the equity interests, 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 in Kunpeng Chuangye LLP nor it is not 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 interest calculated at an interest rate of 4% per annum based on its investment amount RMB160,000 in Kunpeng Chuangye LLP. Upon liquidation, if any, at any time within 9 years or at the due date of the 9-year operating period, Guangzhou GET Investment will be entitled to and only entitled to its investment amount amounting to RMB160,000. If Kunpeng Chuangye LLP failed to pay the investment amount RMB160,000 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 amounts. Based on these arrangements, 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 the risks and rewards of owning 44.4432% of equity interests 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.

The interest payable for the investment by Guangzhou GET Investment was calculated at an interest rate of 4% per annum and it amounted to RMB6,233 as of December 31, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**16. Other Non-Current Liabilities (continued)**

- (i) The non-controlling interests consisted of the following three equity financing arrangements (continued):
- 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 began to 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 investment agreement, conditional upon any entity affiliated with Chengxing being granted a public offering 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 public offering 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 in 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.

The interest payable for the investment by Guangdong Utrust was calculated at an interest rate of 3% per annum and it amounted to RMB11,856 as of December 31, 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**16. Other Non-Current Liabilities (continued)**

(i) The non-controlling interests consisted of the following three equity financing arrangements (continued):

**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 began to 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 in 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.

The interest payable for the investment by Guangzhou GET Investment was calculated at an interest rate of 4% per annum and it amounted to RMB29,973 as of December 31, 2021.

(ii) Government grants primarily represent government subsidies relating to interest on borrowings which are not tied to capital projects.

(iii) Movement of accrued warranty is as following:

	<b>For the Year Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Accrued warranty - beginning of year	73	34,597	111,351
Warranty costs incurred	(575)	(925)	(32,352)
Provision for warranty	35,099	77,679	292,141
Accrued warranty - end of year	34,597	111,351	371,140
Less: Current portion of warranty	(8,380)	(31,594)	(105,068)
Non-current portion of warranty	<u>26,217</u>	<u>79,757</u>	<u>266,072</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**17. Leases**

As a lessee

The Group has entered into various operating lease agreements for certain offices, retail and service centers, warehouses for finished goods, parking areas for charging infrastructure, and factories for R&D activities which are substantially located in 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,	
	2020	2021
Operating lease right-of-use assets, net	461,184	1,561,175
Lease liabilities - current	119,565	373,488
Lease liabilities - non current	352,501	1,189,754
Total operating lease liabilities	472,066	1,563,242

The components of operating lease expense are as follows within the consolidated statements of comprehensive loss:

	For the Year Ended December 31,		
	2019	2020	2021
Operating lease expense	107,850	125,867	340,744
Short-term lease expense	15,033	30,201	102,901
Total lease expenses	122,883	156,068	443,645

Short-term leases primarily consist of the parking areas and pop-up stores leases with a term of 12 months or less.

Both operating lease expense and short-term lease expense are recognized as cost of sales, selling, general and administrative expenses and research and development expenses.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**17. Leases (continued)**

As a lessee (continued)

Other information related to operating leases where the Group is the lessee is as follows:

	<u>For the Year Ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Weighted-average remaining lease term	5.4 years	4.0 years	5.3 years
Weighted-average discount rate	4.48%	4.43%	4.71%

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:

	<u>For the Year Ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	84,975	132,440	289,456
Leased assets obtained in exchange for operating lease liabilities	186,181	130,560	1,329,021

As of December 31, 2021, the maturities of the Group's operating lease liabilities (excluding short-term leases) are as follows:

	<u>As of December 31,</u>
	<u>2021</u>
Within 1 year	441,012
Between 1 and 2 years	357,303
Between 2 and 3 years	244,834
Between 3 and 4 years	191,500
Between 4 and 5 years	172,954
Thereafter	398,686
Total minimum lease payments	1,806,289
Less: Interest	(243,047)
Present value of lease obligations	1,563,242
Less: Current portion	(373,488)
Non - current portion of lease obligations	1,189,754

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**18. Revenues**

Revenues by source consisted of the following:

	For the Year Ended December 31,		
	2019	2020	2021
Vehicle sales	2,171,231	5,546,754	20,041,955
Services and others	149,988	297,567	946,176
Total	<u>2,321,219</u>	<u>5,844,321</u>	<u>20,988,131</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,		
	2019	2020	2021
Deferred revenue - beginning of year	2,366	85,498	308,384
Additions	1,865,564	5,297,728	19,339,153
Recognition	<u>(1,782,432)</u>	<u>(5,074,842)</u>	<u>(18,750,249)</u>
Deferred revenue - end of year	<u>85,498</u>	<u>308,384</u>	<u>897,288</u>

Deferred revenue represents the transaction price allocated to the performance obligations that are not yet satisfied, which primarily arises from the undelivered vehicles, charging piles, free battery charging within 4 years or 100,000 kilometers, the extended lifetime warranty, option between household charging pile and charging card, services of lifetime free battery charging in XPeng-branded charging station, lifetime warranty of battery as well as vehicle internet connection services, with unrecognized deferred revenue balance of RMB85,498, RMB308,384 and RMB897,288 as of December 31, 2019, 2020 and 2021, respectively.

The Group expects that 47% of the transaction price allocated to unsatisfied performance obligations which were accounted for as deferred revenue as of December 31, 2021 will be recognized as revenue during the period from January 1, 2022 to December 31, 2022. The remaining 53% will be substantially recognized during the period from January 1, 2023 to December 31, 2031.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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 G3. While Haima is in charge of the day-to-day operations of the plant, the Group retains 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.

In consideration of commercial development needs, the Group and Haima came to a mutual consent that the former agreement would not be renewed and signed a transitional agreement in August 2021 for the termination of the manufacturing of vehicles in Haima plant and the corresponding relocation arrangements. As a result of the transitional and relocation agreement, relocation and disposal costs were incurred and borne by the Group, of which RMB132,856 was recognized as other operating expenses for the year ended December 31, 2021. The relocation and disposal costs of RMB96,031 were or will be incurred in the form of cash, while the remaining amounts were non-cash. For the year ended December 31, 2021, RMB43,755 was paid in cash and the remaining cash amounts shall be paid substantially in 2022.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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, 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 undertaken 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, 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 undertaken 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, 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 undertaken 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, 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 undertaken 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, 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 undertaken 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, 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 undertaken 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, 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 undertaken in March 2020.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

*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, equivalent to RMB2,107,860, 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 undertaken 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, equivalent to RMB693,123, 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, equivalent to RMB21,231, 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, equivalent to RMB8,555, 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, equivalent to RMB6,271,720, 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; or (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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

***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, or (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 a 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

***Redemption feature (continued)***

*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 principal 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 principal 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; or (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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

*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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

***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 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 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

*Accounting for Series A, A1, A2, B, B1, B2 and C Preferred Shares (continued)*

*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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

*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 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**21. Convertible Redeemable Preferred Shares (continued)**

The Company's Preferred Shares activities for the years ended December 31, 2019 and 2020, before their conversion into ordinary shares of the Company, 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)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)	Number of shares	Amount (RMB)
<b>Balances as of December 31, 2018</b>	—	—	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	6,979,4
Issuance of Preferred Shares post extinguishment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	79,590,650	1,801,402	79,590,650	1,801,4
Accretion on Preferred Shares to redemption value post extinguishment	—	—	—	65,206	—	61,073	—	13,255	—	287,695	—	394,944	—	119,880	—	18,997	—	961,0
Repurchase of the Preferred Shares	—	—	—	—	—	—	—	—	—	—	—	—	(2,197,900)	(48,447)	—	—	(2,197,900)	(48,4
<b>Balances as of December 31, 2019</b>	—	—	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	9,693,4
Issuance of Preferred Shares of Series C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	234,840,210	6,639,361	234,840,210	6,639,3
Accretion on Preferred Shares to Redemption Value post Extinguishment	—	—	—	64,863	—	60,854	—	13,635	—	332,743	—	586,803	—	186,043	—	912,803	—	2,157,7
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)	(18,490,5
<b>Balances as of December 31, 2020</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Upon the completion of the Company's IPO on NYSE in August, 2020, all the outstanding Preferred Shares were converted into Ordinary Shares. No mezzanine equity was recognized as of December 31, 2020 and 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**22. Ordinary Shares**

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.

Holder 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.

The Company repurchased and cancelled 100,442,575 Class A ordinary shares with a par value of US\$0.00001 per share which were 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 (US\$1,655,678). 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 (US\$2,444,930).

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 35,868,362 Class A ordinary shares for the year ended December 31, 2021, out of which, 26,471,648 Class A ordinary shares are outstanding and transferred to employees for the vested RSUs and 9,396,714 Class A ordinary shares are treasury shares held by XPeng Inc.

XPeng Inc. and XPeng Fortune Holding Limited transferred 7,804,566 and 32,764,738 Class A treasury shares to employees for the vested RSUs for the year ended December 31, 2021, respectively.

The Company completed its Global Offering, including the Hong Kong Public Offering and the International Offering, on July 7, 2021. In connection with the Global Offering, 97,083,300 new Class A ordinary shares of the Group were issued and allotted at the offer price of HKD165 per Class A ordinary share. All Class B ordinary shares held by Mr. Tao He and all Class C ordinary shares were converted into Class A ordinary shares on a one-on-one basis upon the completion of the Global Offering.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**22. Ordinary Shares (continued)**

As of December 31, 2021, 1,302,911,192 Class A ordinary shares had been issued, 1,291,039,502 Class A ordinary shares outstanding, 409,846,136 Class B ordinary shares and nil 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(z)).

Activities of the Group's share options during the years ended December 31, 2019 and 2020 were as follows:

	Number of Options Outstanding	Weighted Average Exercise Price RMB	Weighted Average Remaining Contractual Life In Years
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	4.98
Granted	3,788,750	0.0004	
Forfeited	(2,273,720)		
Replacement	(92,653,730)		
Outstanding as of December 31, 2020	—	—	—

After the Replacement mentioned in Note 2(z), 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. Therefore, no share options were outstanding as of December 31, 2020 and 2021.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**23. Share-based Compensation (continued)**

(a) Share options (continued)

No share-based compensation expenses were recognized for share options during the years ended December 31, 2019, 2020 and 2021. As of December 31, 2020 and 2021, there were no unrecognized share-based compensation expenses in relation to the share options granted to the Group's employees.

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,	
	2019	2020
Expected term (years) <sup>(i)</sup>	7	7
Exercise price (RMB)	0.0004	0.0004
Fair value of the ordinary shares on the date of option grant (RMB)	8.36 ~ 8.60	8.36 ~ 8.53
Risk-free interest rate <sup>(ii)</sup>	2.66% ~ 3.31%	3.10% ~ 3.31%
Expected dividend yield <sup>(iii)</sup>	0.00%	0.00%
Expected volatility <sup>(iv)</sup>	33.32% ~ 33.56%	33.35% ~ 33.56%

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**23. Share-based Compensation (continued)**

(b) Restricted share units and restricted shares upon and subsequent to the Replacement

After the Replacement mentioned in Note 2(z), 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**23. Share-based Compensation (continued)**

(b) Restricted share units and restricted shares upon and subsequent to the Replacement (continued)

Activities of the Group's RSUs for the years ended December 31, 2020 and 2021 were as follows:

	Number of restricted share units	Weighted average grant- date fair value RMB
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 RMB
Outstanding as of December 31, 2020	48,288,134	14.20
Granted	7,086,500	132.02
Vested	(18,577,032)	11.51
Forfeited	(2,937,374)	43.23
Outstanding as of December 31, 2021	33,860,228	38.75
Expected to vest as of December 31, 2021	30,900,145	

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 RMB
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 and RMB379,948 were recognized for restricted share units and restricted shares upon and subsequent to the Replacement for the years ended December 31, 2020 and 2021, respectively. As of December 31, 2021, there was RMB840,075 of unrecognized compensation expense relating to the restricted share units and restricted shares upon and subsequent to the Replacement. The expense is expected to be recognized over a weighted average period of 2.06 years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**23. Share-based Compensation (continued)**

(c) Restricted shares

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 was 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 for the year ended December 31, 2019 was as follow:

	Number of shares	Weighted average grant date fair value RMB
Unvested as of December 31, 2018	13,333,325	10.16
Vested	(13,333,325)	—
Unvested as of December 31, 2019	—	—

All the Restricted Shares have been vested as of December 31, 2019. No Vesting Schedule of the Restricted Shares during the years ended December 31, 2020 and 2021 was presented.

Share-based compensation expenses amounting to RMB517, nil and nil in relation to the Restricted Shares was recognized during years ended December 31, 2019, 2020 and 2021, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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 profit tax on their taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

*United States*

The applicable income tax rate of United States where the Company's subsidiaries having significant operations for the years ended December 31, 2019, 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.

Beijing Xiaopeng applied for the HNTE qualification and received approval in December 2020. Beijing Xiaopeng 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**24. Taxation (continued)**

**(a) Income taxes (continued)**

*PRC (continued)*

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 earnings 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, and was further extended to December 31, 2023 as the State Tax Bureau of the PRC announced in March 2021.

Composition of income tax expenses for the periods presented are as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Current income tax expenses	1	1,223	25,990
Deferred income tax expenses	—	—	—
Income tax expenses	<u>1</u>	<u>1,223</u>	<u>25,990</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**24. Taxation (continued)**

**(a) Income taxes (continued)**

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:

	<u>For the Year Ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Loss before income tax expenses	(3,691,672)	(2,730,762)	(4,837,106)
Income tax credit computed at the PRC statutory income tax rate of 25% <sup>(i)</sup>	(922,918)	(682,691)	(1,209,277)
Effect of preferential tax rate <sup>(ii)</sup>	271,242	111,756	254,061
Tax-free income	—	—	(25,000)
Effect of change in tax rate	213,331	13,920	33,454
Effect of different tax rate of different jurisdictions	(9,853)	(393,384)	(323,601)
Effect of additional deduction for qualified R&D expenses	(236,704)	(156,713)	(217,395)
Non-deductible expenses	2,050	234,328	163,980
Changes in valuation allowance	682,853	874,007	1,349,768
Income tax expenses	<u>1</u>	<u>1,223</u>	<u>25,990</u>

- (i) The PRC statutory income tax rate is used because the majority of the Group's operations are based in the PRC.
- (ii) The effect of preferential tax rate resulted in a deduction of the income tax credit computed at the PRC statutory income tax rate of 25%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**24. Taxation (continued)**

**(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.

	<b>As of December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Deferred tax assets:</b>			
Net operating loss carry-forwards	1,256,218	2,036,152	3,051,082
Government grants	11,579	43,145	41,565
Impairment of property, plant and equipment	11,878	21,802	12,239
Inventory reserve	27,341	11,233	7,221
Accruals and others	33,928	102,619	452,612
Valuation allowance	<u>(1,340,944)</u>	<u>(2,214,951)</u>	<u>(3,564,719)</u>
<b>Total deferred tax assets, net</b>	<u>—</u>	<u>—</u>	<u>—</u>

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:

	<b>For the Year Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Valuation allowance</b>			
Balance at beginning of the year	658,091	1,340,944	2,214,951
Additions	901,491	889,877	1,511,434
Loss utilized	(5,307)	(1,950)	(128,212)
Effect of change in tax rate	(213,331)	(13,920)	(33,454)
Balance at end of the year	<u>1,340,944</u>	<u>2,214,951</u>	<u>3,564,719</u>

For the years ended December 31, 2019, 2020 and 2021, with the growth of its business performance, some subsidiaries of the Group are generating profits and utilized tax losses brought forward from prior years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**24. Taxation (continued)**

**(b) Deferred tax (continued)**

The Group has tax losses arising in Mainland China of RMB15,546,804 that will expire in one to ten years for deduction against future taxable profits.

Loss expiring in 2022	8,902
Loss expiring in 2023	105,208
Loss expiring in 2024	591,759
Loss expiring in 2025	1,656,578
Loss expiring in 2026	3,455,514
Loss expiring in 2027	310,939
Loss expiring in 2028	1,627,910
Loss expiring in 2029	4,400,603
Loss expiring in 2030	1,406,957
Loss expiring in 2031	1,982,434
<b>Total</b>	<b><u>15,546,804</u></b>

The Group has tax losses arising in Hong Kong and Others of RMB556,521 that will not expire for deduction against future taxable profit.

Hong Kong	476,572
Others	79,949
<b>Total</b>	<b><u>556,521</u></b>

*Uncertain Tax Position*

The Group did not identify any significant unrecognized tax benefits for the years ended December 2019, 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 it also does not anticipate any significant change in unrecognized tax benefits within 12 months from December 31, 2021. In general, the PRC tax authorities mandate a period of up to five years to review a company's tax filings. Accordingly, tax filings of the Company's PRC subsidiaries and VIEs for tax years 2017 through 2021 remain subject to the review to be performed by the relevant PRC tax authorities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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, 2019, 2020 and 2021 as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Numerator:</b>			
Net loss	(3,691,673)	(2,731,985)	(4,863,096)
Accretion on Preferred Shares to redemption value	(961,050)	(2,157,744)	—
Deemed contribution from repurchase of Preferred Shares	9,969	—	—
Net loss attributable to ordinary shareholders of XPeng Inc.	<u>(4,642,754)</u>	<u>(4,889,729)</u>	<u>(4,863,096)</u>
<b>Denominator:</b>			
Weighted average number of ordinary shares outstanding-basic and diluted	<u>349,450,580</u>	<u>754,270,914</u>	<u>1,642,906,400</u>
Basic and diluted net loss per share attributable to ordinary shareholders of XPeng Inc.	<u>(13.29)</u>	<u>(6.48)</u>	<u>(2.96)</u>

For the years ended December 31, 2019, 2020 and 2021, the Company had potential ordinary shares, including non-vested share options and RSUs granted and Preferred Shares. As the Group incurred losses for the years ended December 31, 2019, 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 100,442,575 as of December 31, 2019, nil as of December 31, 2020 and 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, 2019, 20,841,866 as of December 31, 2020 and 44,422,384 as of December 31, 2021. Preferred Shares to be converted into ordinary shares were 500,059,108 as of December 31, 2019, nil as of December 31, 2020 and 2021 on a weighted average basis.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**26. Related parties**

The principal related parties with which the Group had transactions during the years presented are as follows:

<u>Name of Entity or Individual</u>	<u>Relationship with the Company</u>
Mr. Xiaopeng He	Principal Shareholder of the Company, Chairman of the Board and Chief Executive Officer
Guangzhou Huitian Aerospace Technology Co., Ltd. ("Guangzhou Huitian")	A Company Significantly Influenced by the Principal Shareholder
Guangdong Huitian Aerospace Technology Co., Ltd. ("Guangdong Huitian")	A Company Significantly Influenced by the Principal Shareholder
Guangzhou Zhongpeng Investment and Development Co., Ltd.	A Company Controlled by the Principal Shareholder
Dogotix	A Company Controlled by the Principal Shareholder
Shenzhen Pengxing Smart Co., Ltd	A Company Controlled by the Principal Shareholder
Shenzhen Pengxing Smart Research Co., Ltd.	A Company Controlled by the Principal Shareholder

(1) Since January 2021, Guangzhou Huitian and Guangdong Huitian were controlled by the principal shareholder. In October 2021, upon the completion of Huitian's A round of fund raising, Guangzhou Huitian and Guangdong Huitian became significantly influenced by the principal shareholder from being controlled by the principal shareholder.

(2) Major transactions with related parties:

(i) Non-trade in nature

For the year ended December 31, 2020, the loans from a principal shareholder amounted to RMB1,063,434 and was repaid as of December 31, 2020 (2019 and 2021: nil). The interest expenses on the loans from a principal shareholder was RMB5,922 (2019 and 2021: nil).

(ii) Trade in nature

For the years ended December 31, 2019, 2020 and 2021, the rental expenses to a company controlled by the principal shareholder amounted to nil, RMB10,150 and RMB10,150, respectively.

For the year ended December 31, 2020, the purchase of fixed assets and the rental income from a company controlled by the principal shareholder amounted to RMB999 and RMB166, respectively.

For the year ended December 31, 2021, the purchase of fixed assets, the purchase of service and the rental income from the companies controlled by the principal shareholder amounted to RMB698, RMB101 and RMB862, respectively.

For the year ended December 31, 2021, the purchase of fixed assets, the purchase of service and the rental income from the companies significantly influenced by the principal shareholder amounted to RMB2,793, RMB54 and RMB40, respectively.

For the year ended December 31, 2021, the operation support service and goods provided to the companies controlled by the principal shareholder amounted to RMB36,857 and RMB140, respectively.

For the year ended December 31, 2021, the operation support service provided to the companies significantly influenced by the principal shareholder amounted to RMB2,300.

(3) Amounts due from related parties:

As of December 31, 2020, amounts due from related parties amounting to RMB682 represents the receivables for the services provided to a company controlled by the principal shareholder.

As of December 31, 2021, amounts due from related parties represents: (i) the receivables for operation support service amounting to RMB15,804 to the companies controlled by the principal shareholder, and (ii) the receivables for operation support service and the prepayment for fixed assets amounting to RMB15,403 and RMB1,578, respectively, to the companies significantly influenced by the principal shareholder.

(4) Amounts due to related parties:

As of December 31, 2020, amounts due to related parties represent the payables for rental expenses and the payables for asset purchased amounting to RMB11,063 and RMB999, respectively, to a company controlled by the principal shareholder.

As of December 31, 2021, amounts due to related parties represents: (i) the payables for rental expenses amounting to RMB22,126 to a company controlled by the principal shareholder, and (ii) the payables for asset purchased amounting to RMB2,793 to a company significantly influenced by the principal shareholder.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2021</b>
Property, plant and equipment	259,417	1,241,759
Investments	44,392	20,000
Total	<u>303,809</u>	<u>1,261,759</u>

**(b) Purchase commitments**

Purchase expenditures contracted for at the balance sheet dates but not recognized in the consolidated financial statements are as follows:

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2021</b>
Purchase commitments on purchase of raw materials	<u>2,315,188</u>	<u>5,312,557</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**28. Subsequent events**

(a) Transfer of Equity Interest in Zhaoqing Xiaopeng New Energy

On January 4, 2022, Zhaoqing Kungpeng transferred its 50% equity interest in Zhaoqing Xiaopeng New Energy to Zhaoqing XPeng for a total cash consideration of RMB1 Yuan, after which Zhaoqing Xiaopeng New Energy become the Company's wholly owned subsidiary (Note 1(b)(2)).

(b) Investment in a business related to semiconductor

In January 2022, the Group entered into a share subscription agreement with a company to acquire its 3.71% equity interest for a total cash consideration of RMB65,000.

(c) Issuance of Auto Leasing Asset-backed Securities ("ABS")

In February 2022, the Company, through its wholly owned subsidiary, completed the launch of ABS amounting to RMB775,000 by issuing senior debt securities to investors.

(d) Investment in a limited partnership related to capital investment

In March 2022, the Group entered into a subscription agreement with a limited partnership to become a limited partner for a total consideration of US\$150,000.

(e) Investment in a business related to battery

In March 2022, the Group entered into a share subscription agreement with a company to acquire its 0.40% equity interest for a total consideration of RMB50,000.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**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 RMB27,751,253 and RMB41,040,036 as of December 31, 2020 and 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, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021 are disclosed in Note 30.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**30. Company Financial Statements (Parent Company Only)**

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 (parent 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, 2021.

**Condensed Balance Sheets**

	As of December 31,	
	2020	2021
	RMB	RMB
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	24,760,588	4,453,841
Restricted cash	114,321	57,253
Short-term deposits	979,897	14,457,154
Prepayments and other current assets	118,114	4,980
<b>Total current assets</b>	<u>25,972,920</u>	<u>18,973,228</u>
<b>Non-current assets</b>		
Investments in subsidiaries and VIEs	8,471,310	22,269,421
Long-term deposits	—	955,907
<b>Total non-current assets</b>	<u>8,471,310</u>	<u>23,225,328</u>
<b>Total assets</b>	<u>34,444,230</u>	<u>42,198,556</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accruals and other liabilities	14,421	51,978
<b>Total current liabilities</b>	<u>14,421</u>	<u>51,978</u>
<b>Total liabilities</b>	<u>14,421</u>	<u>51,978</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(All amount in thousands, except for share and per share data, unless otherwise stated)

**30. Company Financial Statements (Parent Company Only) (continued)**

**Condensed Balance Sheets**

	Note	As of December 31,	
		2020	2021
		RMB	RMB
<b>SHAREHOLDERS' EQUITY</b>			
Class A Ordinary shares		63	87
Class B Ordinary shares		26	25
Class C Ordinary shares		12	—
Additional paid-in capital		46,482,512	59,980,534
Statutory reserve		—	6,047
Accumulated deficit		(11,322,423)	(16,191,566)
Accumulated other comprehensive loss		(730,381)	(1,648,549)
<b>Total shareholders' equity</b>		<b>34,429,809</b>	<b>42,146,578</b>
<b>Total liabilities and shareholders' equity</b>		<b>34,444,230</b>	<b>42,198,556</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**30. Company Financial Statements (Parent Company Only) (continued)**

**Condensed Statements of Comprehensive Loss**

	Note	For the Year Ended December 31,		
		2019 RMB	2020 RMB	2021 RMB
<b>Operating expenses</b>				
Selling, general and administrative expenses		(517)	(13,430)	(8,966)
<b>Total operating expenses</b>		<u>(517)</u>	<u>(13,430)</u>	<u>(8,966)</u>
<b>Loss from operations</b>		<u>(517)</u>	<u>(13,430)</u>	<u>(8,966)</u>
Interest income		1,140	43,001	208,463
Interest expense		—	(5,935)	—
Equity in loss of subsidiaries and VIEs		(3,719,975)	(4,487,049)	(5,696,578)
Other non-operating income, net		—	369,403	554,723
Fair value gain on derivative liabilities		27,679	1,362,025	79,262
<b>Loss before income tax expenses</b>		<u>(3,691,673)</u>	<u>(2,731,985)</u>	<u>(4,863,096)</u>
Income tax expenses		—	—	—
<b>Net loss</b>		<u>(3,691,673)</u>	<u>(2,731,985)</u>	<u>(4,863,096)</u>
Accretion on Preferred Shares to redemption value		(961,050)	(2,157,744)	—
Deemed contribution from repurchase of Preferred Shares		9,969	—	—
<b>Net loss attributable to ordinary shareholders of XPeng Inc.</b>		<u>(4,642,754)</u>	<u>(4,889,729)</u>	<u>(4,863,096)</u>
<b>Net loss</b>		<u>(3,691,673)</u>	<u>(2,731,985)</u>	<u>(4,863,096)</u>
<b>Other comprehensive loss</b>				
Foreign currency translation adjustment, net of nil tax		(2,968)	(724,433)	(918,168)
<b>Total comprehensive loss attributable to XPeng Inc.</b>		<u>(3,694,641)</u>	<u>(3,456,418)</u>	<u>(5,781,264)</u>
Accretion on Preferred Shares to redemption value		(961,050)	(2,157,744)	—
Deemed contribution from repurchase of Preferred Shares		9,969	—	—
<b>Comprehensive loss attributable to ordinary shareholders of XPeng Inc.</b>		<u>(4,645,722)</u>	<u>(5,614,162)</u>	<u>(5,781,264)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
(All amount in thousands, except for share and per share data, unless otherwise stated)

**30. Company Financial Statements (Parent Company Only) (continued)**

**Condensed Statements of Cash Flows**

	For the Year Ended December 31,		
	2019	2020	2021
	RMB	RMB	RMB
<b>Cash flows from operating activities</b>	1,140	23,636	232,625
<b>Cash flows from investing activities</b>			
Placement of term deposits	—	(979,897)	(14,607,257)
Investment in equity investees	(1,658,783)	(7,825,007)	19,015,285
Maturities of derivative assets	—	—	233,050
Net cash used in investing activities	(1,658,783)	(8,804,904)	(33,389,492)
<b>Cash flows from financing activities</b>			
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	—
Proceeds from Global Offering, net of issuance cost	—	—	13,146,811
Payments of listing expenses	—	—	(36,924)
Net cash provided by financing activities	1,926,812	33,960,612	13,109,887
Effects of exchange rate changes on cash, cash equivalents and restricted cash	—	(573,604)	(316,835)
Net increase (decrease) in cash, cash equivalents and restricted cash	269,169	24,605,740	(20,363,815)
Cash, cash equivalents and restricted cash at beginning of the year	—	269,169	24,874,909
<b>Cash, cash equivalents and restricted cash at end of the year</b>	<b>269,169</b>	<b>24,874,909</b>	<b>4,511,094</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**(All amount in thousands, except for share and per share data, unless otherwise stated)**

**30. Company Financial Statements (Parent Company Only) (continued)**

*(i) Revision to Previously Reported Cash Flow Information of Parent Company*

The Company revised the parent company-only condensed statement of cash flows for the year ended December 31, 2020, as presented above, to correct for errors in the preparation of the prior disclosures. The errors had no impact on the previously reported consolidated financial statements. Management has determined that the errors were immaterial and should be corrected through a revision of previously reported information.

Details of the revision are as follows:

**Condensed Statement of Cash Flows**

	<b>For the Year Ended December 31, 2020</b>		
	<b>As Previously Reported</b>	<b>Revisions</b>	<b>As Revised</b>
	<b>RMB</b>	<b>RMB</b>	<b>RMB</b>
<b>Cash flows from operating activities</b>	<u>23,636</u>	<u>—</u>	<u>23,636</u>
<b>Cash flows from investing activities</b>			
Placement of term deposits	(979,897)	—	(979,897)
Investment in equity investees	(8,512,932)	687,925	(7,825,007)
Net cash used in investing activities	<u>(9,492,829)</u>	<u>687,925</u>	<u>(8,804,904)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of Preferred Shares	6,561,323	—	6,561,323
Proceeds from IPO, net of issuance cost	11,410,386	—	11,410,386
Proceeds from FO, net of issuance cost	<u>15,988,903</u>	<u>—</u>	<u>15,988,903</u>
Net cash provided by financing activities	<u>33,960,612</u>	<u>—</u>	<u>33,960,612</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	—	(573,604)	(573,604)
Net increase (decrease) in cash, cash equivalents and restricted cash	24,491,419	114,321	24,605,740
Cash, cash equivalents and restricted cash at beginning of the year	<u>269,169</u>	<u>—</u>	<u>269,169</u>
<b>Cash, cash equivalents and restricted cash at end of the year</b>	<u><u>24,760,588</u></u>	<u><u>114,321</u></u>	<u><u>24,874,909</u></u>

*(ii) Basis of presentation*

The Company's accounting policies are the same as the Group's accounting policies with the exception of the accounting for the investments in subsidiaries and VIEs.

For the Company only condensed financial information, the Company records its investments in subsidiaries and VIEs under the equity method of accounting as prescribed in ASC 323, Investments—Equity Method and Joint Ventures.

Such investments are presented on the Condensed Balance Sheets as "Investments in subsidiaries and VIEs" and shares in the subsidiaries and VIEs' loss are presented as "Equity in loss of subsidiaries and VIEs" on the Condensed Statements of Comprehensive Loss. The parent company only condensed financial information should be read in conjunction with the Group's consolidated financial statements.

**Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (the “Exchange Act”)**

As of December 31, 2021, XPeng Inc. (“XPeng,” the “Company,” “we,” “us,” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name of exchange on which registered
American Depositary Shares, each representing two Class A ordinary shares of XPeng	XPEV	New York Stock Exchange
Ordinary Shares, par value US\$0.00001 per share (the “XPeng Class A ordinary shares”)*	N/A	New York Stock Exchange

\* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares.

**Description of Ordinary Shares (Items 9.A.3, 9.A.5, 9.A.6, 9.A.7, 10.B.3, 10.B.4, 10.B.6, 10.B.7, 10.B.8, 10.B.9 and 10.B.10 of Form 20-F)**

**General**

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised), as amended, of the Cayman Islands, which is referred to as the Companies Act below, and the common law of the Cayman Islands.

Our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share and Class B ordinary share of our company has par value of US\$0.00001 per share. The respective number of Class A ordinary shares and Class B ordinary shares that had been issued as of December 31, 2021 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2021.

Holders of Class A ordinary shares and holders of Class B ordinary shares have the same rights except for voting and conversion rights. All of our issued ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares.

**Dividends**

The holders of our ordinary shares are entitled to such dividends as may be declared by ordinary resolutions. Our eighth amended and restated memorandum and articles of association provide that dividends may be declared and paid out of our profits, or out of monies otherwise available for dividend in accordance with the Companies Act. Holders of Class A ordinary shares, and holders of Class B ordinary shares will be entitled to the same amount of dividends, if declared.

**Voting Rights**

In respect of all matters upon which the ordinary shares are entitled to vote, each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to 10 votes. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of all votes attaching to all of the total issued voting shares of our company present in person or by proxy.

On a poll votes may be given either personally or by proxy. Each shareholder, other than a recognized clearing house (or its nominee(s)) or depository (or its nominee(s)), may only appoint one proxy on a show of hand. The instrument appointing a proxy shall be in writing under the hand of the shareholder or, if the shareholder is a corporation, either under seal or under the hand of a director or officer or attorney duly authorized. A proxy need not be a shareholder. The instrument appointing a proxy shall be deposited at the registered office of the Company or at such other place as is specified for that purpose in the notice convening the meeting not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid provided that the chairman of the meeting may in his discretion accept an instrument of proxy sent by telex or telefax upon receipt of telex or telefax confirmation that the signed original thereof has been sent. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes cast by such shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, at a general meeting, while a special resolution requires the affirmative vote of no less than three-fourth of votes cast by such shareholders as, being entitled to do so, vote in person or, where proxies are allowed, by proxy, at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our eighth amended and restated memorandum and articles of association.

### **Conversion**

Each Class B ordinary share is convertible into one Class A ordinary share at any time at the option of the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Class B ordinary shares shall only be held by a director of ours or a limited partnership, trust, private company or other vehicle wholly-owned and wholly controlled by a director of ours (“**Director Holding Vehicle**”). Subject to the listing rules of the Hong Kong Stock Exchange or other applicable laws or regulations, each Class B ordinary shares shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events as provided in our eighth amended and restated memorandum and articles of association:

- the death of the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle wholly-owned and wholly-controlled by a director of ours, the death of the director holding and controlling such Director Holding Vehicle wholly-owned and wholly controlled by such director);
- the holder of such Class B ordinary share ceasing to be a director of ours or a Director Holding Vehicle wholly-owned and wholly-controlled by a director of ours for any reason;
- the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle wholly-owned and wholly-controlled by a director of ours, the director holding and controlling such Director Holding Vehicle wholly-owned and wholly-controlled by such director) being deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a director;
- the holder of such Class B ordinary share (or, where the holder is a Director Holding Vehicle wholly-owned and wholly-controlled by a director of ours, the director holding and controlling such Director Holding Vehicle wholly-owned and wholly-controlled by such director) being deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the listing rules of the Hong Kong Stock Exchange; or
- the transfer to another person of the beneficial ownership of, or economic interest in, such Class B ordinary share or the control over the voting rights attached to such Class B ordinary share (through voting proxies or otherwise), other than (i) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage; and (ii) a transfer of the legal title to such share by a director of ours to a Director Holding Vehicle wholly owned and wholly controlled by him, or by a Director Holding Vehicle wholly-owned and wholly controlled by a director to the director holding and controlling it or another Director Holding Vehicle wholly held and wholly controlled by such director.



### ***Transfer of Ordinary Shares***

Subject to the restrictions contained in our eighth amended and restated memorandum and articles of association, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NYSE or the Hong Kong Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with the relevant codes, rules and regulations, as amended, any notice required of the NYSE and Hong Kong Stock Exchange and applicable laws, be suspended and our register of members closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor our register of members closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

### ***Liquidation***

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a *pro rata* basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

### ***Calls on Ordinary Shares and Forfeiture of Ordinary Shares***

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares provided that no call shall be payable earlier than one month from the last call. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

### ***Redemption of Ordinary Shares***

Subject to the provisions of the Companies Act and other applicable law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by the board of directors.

### ***Variations of Rights of Shares***

If at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of 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 rights conferred upon the holders of the shares or any class of shares shall not, unless otherwise expressly provided by the terms of issue of such shares, be deemed to be varied by the creation, redesignation, or issue of shares ranking *pari passu* with such shares.

### **General Meetings of Shareholders**

Shareholders' meetings may be convened by a majority of our board of directors. Any annual general meeting must be called by notice in writing of at least 21 days, and any other general meeting (including an extraordinary general meeting) must be called by notice in writing of at least 14 days. A quorum required for a meeting of shareholders consists of the holders of not less than ten percent (10%) of the voting rights (on a one vote per share basis) in the share capital of our company.

### **Inspection of Books and Records**

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, whilst holders of our ordinary shares will have a right under our eighth amended and restated memorandum and articles of association to inspect or obtain copies of our list of shareholders and annual audit report of our profit and loss account and balance sheet. See "Item 10. Additional Information—H. Documents on Display" of our annual report on Form 20-F for the year ended December 31, 2021.

### **Changes in Capital**

We may from time to time by ordinary resolution:

- increase our share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as we in general meeting may determine;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- by subdivision of its existing shares or any of them divide the whole or any part of our share capital into shares of smaller amount than is fixed by our eighth amended and restated memorandum and articles of association subject nevertheless to the provisions of section 13 of the Companies Act; or
- 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 cancelled.

We may by special resolution reduce our share capital or any capital redemption reserve fund in any manner permitted by law.

### **Exempted Company**

We are an exempted company with limited liability incorporated under the Companies Act. The Companies Act in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);

- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company. As a public company, we are subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. As our ADSs are listed on NYSE, we are also subject to the rules of NYSE, but we intend to follow home country practice for certain corporate governance practices in lieu of NYSE corporate governance listing standards.

### **Differences in Corporate Law**

The Companies Act is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the State of Delaware.

### ***Mergers and Similar Arrangements***

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a subsidiary is a company of which whose issued shares that together represent at least ninety percent (90%) of the votes at a general meeting are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation, provided that the dissenting shareholder complies strictly with the procedures set out in the Cayman Companies Act. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and

- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

### ***Shareholders' Suits***

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

### ***Indemnification of Directors and Executive Officers and Limitation of Liability***

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our eighth amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in our eighth amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### ***Anti-Takeover Provisions in the Memorandum and Articles of Association***

Some provisions of our eighth amended and restated memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

## **Directors' Fiduciary Duties**

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

## **Shareholder Action by Written Consent**

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our seventh amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

## **Shareholder Proposals**

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Act provides shareholders with only limited rights to requisition a general meeting. However, these rights may be provided in a company's articles of association. Under our eighth amended and restated articles of association, the directors shall, upon the requisition in writing of one or more members holding shares which carry in the aggregate not less than one-third (1/3) of all votes attaching to all issued and outstanding shares of our company that as at the date of the requisition carries the right of voting at general meetings, convene a general meeting. Under our eighth amended and restated articles of association, we shall in each calendar year hold a general meeting as its annual general meeting (other than 2021).

## **Cumulative Voting**

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under Cayman Islands law, but our eighth amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

### **Removal of Directors**

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our eighth amended and restated articles of association, directors may be removed by ordinary resolution.

### **Transactions with Interested Shareholders**

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the company are required to comply with fiduciary duties which they owe to the company under Cayman Islands law, including the duty to ensure that, in their opinion, such transactions must be entered into *bona fide* in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

### **Dissolution; Winding Up**

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act of the Cayman Islands and our eighth amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution.

### **Variation of Rights of Shares**

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our eighth amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class of shares only with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of 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.

### ***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Act, our eighth amended and restated memorandum and articles of association may only be amended by a special resolution.

### ***Rights of Non-Resident or Foreign Shareholders***

There are no limitations imposed by our eighth amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our eighth amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

### ***Directors' Power to Issue Shares***

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

### **Description of Debt Securities, Warrants and Rights and Other Securities (Items 12.A, 12.B and 12.C of Form 20-F)**

Not applicable.

### **Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)**

Citibank, N.A. acts as the depository for the American Depositary Shares. Citibank's depository offices are located at 388 Greenwich Street, New York, New York 10013. The depository typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.—Hong Kong, located at 9/F, Citi Tower, One Bay East, 83 Hon Hai Road, Kwun Tong, Kowloon, Hong Kong.

Our ADSs are governed by the depository agreement dated August 31, 2020, which has been attached to the Registration Statement on Form F-6EF (File No. 333-251204), as amended, filed with the SEC on December 9, 2020.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, two Class A ordinary shares that are on deposit with the depository and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depository or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depository may agree to change the ADS-to-Share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depository fees payable by ADS owners. The custodian, the depository and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depository, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depository, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depository, and the depository (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary. As an ADS holder you appoint the depositary to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of Class A ordinary shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

*As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary will hold on your behalf the shareholder rights attached to the Class A ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the Class A ordinary shares represented by your ADSs through the depositary only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.*

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may affect your rights and obligations, and the manner in which, and extent to which, the depositary's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary to the holders of the ADSs. The direct registration system includes automated transfers between the depositary and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the Class A ordinary shares in the name of the depositary or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary or the custodian the record ownership in the applicable Class A ordinary shares with the beneficial ownership rights and interests in such Class A ordinary shares being at all times vested with the beneficial owners of the ADSs representing the Class A ordinary shares. The depositary or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.



## **Dividends and Distributions**

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

## **Distributions of Cash**

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depository will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to the laws and regulations of the Cayman Islands.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depository will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depository will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depository holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

## **Distributions of Shares**

Whenever we make a free distribution of Class A ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of Class A ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depository will either distribute to holders new ADSs representing the Class A ordinary shares deposited or modify the ADS-to-Class A ordinary shares ratio, in which case each ADS you hold will represent rights and interests in the additional Class A ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-Class A ordinary shares ratio upon a distribution of Class A ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depository may sell all or a portion of the new Class A ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depository does not distribute new ADSs as described above, it may sell the Class A ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

## **Distributions of Rights**

Whenever we intend to distribute rights to subscribe for additional Class A ordinary shares, we will give prior notice to the depository and we will assist the depository in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depository will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depository is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new Class A ordinary shares other than in the form of ADSs.

The depositary will *not* distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary; or
- It is not reasonably practicable to distribute the rights.

The depositary will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary is unable to sell the rights, it will allow the rights to lapse.

### **Elective Distributions**

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary in determining whether such distribution is lawful and reasonably practicable.

The depositary will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

### **Other Distributions**

Whenever we intend to distribute property other than cash, Class A ordinary shares or rights to subscribe for additional Class A ordinary shares, we will notify the depositary in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary all of the documentation contemplated in the deposit agreement, the depositary will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary may sell all or a portion of the property received.

The depositary will *not* distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we request that the property not be distributed to you; or
- We do not deliver satisfactory documents to the depositary; or
- The depositary determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

## **Redemption**

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depository in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depository will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depository will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depository. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depository may determine.

## **Changes Affecting Class A ordinary shares**

The Class A ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of such Class A ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets of the Company.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the Class A ordinary shares held on deposit. The depository may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the Shares. If the depository may not lawfully distribute such property to you, the depository may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

## **Issuance of ADSs upon Deposit of Class A ordinary shares**

The depository may create ADSs on your behalf if you or your broker deposit Class A ordinary shares with the custodian. The depository will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the Class A ordinary shares to the custodian. Your ability to deposit Class A ordinary shares and receive ADSs may be limited by U.S. and the Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depository or the custodian receives confirmation that all required approvals have been given and that the Class A ordinary shares have been duly transferred to the custodian. The depository will only issue ADSs in whole numbers.

When you make a deposit of Class A ordinary shares, you will be responsible for transferring good and valid title to the depository. As such, you will be deemed to represent and warrant that:

- The Class A ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.
- All preemptive (and similar) rights, if any, with respect to such Class A ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the Class A ordinary shares.
- The Class A ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, “restricted securities” (as defined in the deposit agreement).
- The Class A ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depository may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

### **Transfer, Combination and Split Up of ADRs**

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

### **Withdrawal of Class A ordinary shares Upon Cancellation of ADSs**

As a holder, you will be entitled to present your ADSs to the depositary for cancellation and then receive the corresponding number of underlying Class A ordinary shares at the custodian's offices. Your ability to withdraw the Class A ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands law considerations applicable at the time of withdrawal. In order to withdraw the Class A ordinary shares represented by your ADSs, you will be required to pay to the depositary the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the Class A ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary may deem appropriate before it will cancel your ADSs. The withdrawal of the Class A ordinary shares represented by your ADSs may be delayed until the depositary receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the Class A ordinary shares or ADSs are closed, or (ii) Class A ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.
- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

### **Voting Rights**

As a holder, you generally have the right under the deposit agreement to instruct the depositary to exercise the voting rights for the Class A ordinary shares represented by your ADSs. The voting rights of holders of Class A ordinary shares are described in "Description of Ordinary Shares".

At our request, the depositary will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary to exercise the voting rights of the securities represented by ADSs. In lieu of distributing such materials, the depositary may distribute to holders of ADSs instructions on how to retrieve such materials upon request.

If the depositary timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs as follows:

- *In the event of voting by show of hands*, the depositary will vote (or cause the custodian to vote) all Class A ordinary shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary will vote (or cause the Custodian to vote) the Class A ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

Securities for which no voting instructions have been received will not be voted (except (a) as set forth above in the case voting is by show of hands, (b) in the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us to vote the common shares represented by such holders' ADSs; provided, however, that no such discretionary proxy shall be given with respect to any matter to be voted upon as to which we inform the depositary that (i) we do not wish such proxy to be given, (ii) substantial opposition exists, or (iii) the rights of holders of common shares may be adversely affected, and (c) as otherwise contemplated in the deposit agreement). Please note that the ability of the depositary to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary in a timely manner.

#### **Amendments and Termination**

We may agree with the depositary to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the Class A ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary to terminate the deposit agreement. Similarly, the depositary may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

In connection with any termination of the deposit agreement, the depositary may make available to owners of ADSs a means to withdraw the Class A ordinary shares represented by ADSs and to direct the depositary of such Class A ordinary shares into an unsponsored American depositary share program established by the depositary. The ability to receive unsponsored American depositary shares upon termination of the deposit agreement would be subject to satisfaction of certain U.S. regulatory requirements applicable to the creation of unsponsored American depositary shares and the payment of applicable depositary fees.

### **Books of Depository**

The depository will maintain ADS holder records at its depository office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depository will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

### **Limitations on Obligations and Liabilities**

The deposit agreement limits our obligations and the depository's obligations to you. Please note the following:

- We and the depository are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depository disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depository disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in Class A ordinary shares, for the validity or worth of the Class A ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depository will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depository disclaim any liability if we or the depository are prevented or forbidden from or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depository disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depository further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting Shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depository also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of Class A ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depository may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depository also disclaim liability for any consequential or punitive damages for any breach of the terms of the deposit agreement.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.
- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depository and you as ADS holder.

- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

*As the above limitations relate to our obligations and the depository's obligations to you under the deposit agreement, we believe that, as a matter of construction of the clause, such limitations would likely to continue to apply to ADS holders who withdraw the Class A ordinary shares from the ADS facility with respect to obligations or liabilities incurred under the deposit agreement before the cancellation of the ADSs and the withdrawal of the Class A ordinary shares, and such limitations would most likely not apply to ADS holders who withdraw the Class A ordinary shares from the ADS facility with respect to obligations or liabilities incurred after the cancellation of the ADSs and the withdrawal of the Class A ordinary shares and not under the deposit agreement.*

*In any event, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depository's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, you cannot waive our or the depository's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.*

#### **Taxes**

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depository and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depository may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depository and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depository and to the custodian proof of taxpayer status and residence and such other information as the depository and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depository and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

#### **Foreign Currency Conversion**

The depository will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depository may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.
- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

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**Governing Law/Waiver of Jury Trial**

The deposit agreement, the ADRs and the ADSs will be interpreted in accordance with the laws of the State of New York. The rights of holders of Class A ordinary shares (including Class A ordinary shares represented by ADSs) are governed by the laws of the Cayman Islands.

As an owner of ADSs, you irrevocably agree that any legal action arising out of the Deposit Agreement, the ADSs or the ADRs, involving the Company or the Depositary, may only be instituted in a state or federal court in the city of New York.

**AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs AGAINST US AND/OR THE DEPOSITARY.**

*The deposit agreement provides that, to the extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to the ADSs or the deposit agreement, including any claim under U.S. federal securities laws. If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable in the facts and circumstances of that case in accordance with applicable case law. However, you will not be deemed, by agreeing to the terms of the deposit agreement, to have waived our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.*



**Equity Interest Pledge Agreement**

**Between**

**Xia Heng, He Tao**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**In relation to Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**September 6, 2021**

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## Equity Interest Pledge Agreement

This equity interest pledge agreement (“**Agreement**”) is made by the following parties on September 6, 2021 (“**Execution Date**”):

1. Xia Heng, ID No.: 431224198311070057  
Residential address: Room 1608, Unit 2, Xiaofengyuan, Qifuxincun, Shiguang Road, Panyu District, Guangzhou  
He Tao (ID No.: 42102219850731001);  
Residential address: Room 3c905, No. 13 Huihai Street, Jinshazhou, Baiyun District, Guangzhou  
Xia Heng and He Tao hererinafter are collectively referred to as “**Pledgors**”
2. Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”), with its registered address at Room 209 (self-proclaimed), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being He Tao.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**Pledgee**”), with its registered address at Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng.

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. On the execution date of this Agreement, the Pledgor and the Pledgee are registered shareholders of the Company. The Pledgor holds 50% equity of the Company according to law (hereinafter referred to as the “**Pledgor’s Equity**”), and the Pledgee holds 50% equity of the Company according to law. On the execution date of this Agreement, the Pledgor’s capital contribution in the registered capital of the Company is RMB5,000,000 (SAY RMB FIVE MILLION ONLY), accounting for 50% of the shares; the Pledgee’s capital contribution in the registered capital of the Company is RMB5,000,000 (SAY RMB FIVE MILLION ONLY), accounting for 50% of the shares. The basic information of the Company is shown in Exhibit 1.
2. The Parties entered into the Power of Attorney on September 6, 2021. According to the Power of Attorney, the Pledgors irrevocably and exclusively authorized the person to be designated by the Pledgee to exercise their voting powers at the Company on their halves.
3. The Pledgee and the Pledgors entered into the Loan Agreement (“**Loan Agreement**”) on September 6, 2021. According to the Loan Agreement, the Pledgee will provide the Pledgors with a loan with an aggregate principal of RMB five million (RMB5,000,000) (“**Loan**”) for the Pledgors’ operation.
4. The Company and the Pledgee entered into the Exclusive Service Agreement (“**Service Agreement**”) on September 6, 2021. According to the Service Agreement, the Company engages the Pledgee exclusively to provide relevant services, and agrees to pay corresponding service fees to the Pledgee for such services.
5. The Parties entered into the Exclusive Option Agreement (“**Option Agreement**”) on September 6, 2021. According to the Option Agreement, upon the request of the Pledgee, the Pledgors and the Company shall, subject to the PRC Laws, transfer part or whole of their Equity or part or whole of the Company’s assets to the Pledgee and/or its designated entity and/or individual according to the requirements of the Pledgee, or the Company shall reduce its capital and allow the Pledgee and/or its designated entity and/or individual to subscribe for the newly added registered capital of the Company.

6. As the security for performance of the Contractual Obligations (as defined below) and repayment of the Secured Debts (as defined below) by the Pledgors, the Pledgors are willing to create a pledge over their Equity in favor of the Pledgee and grant the Pledgee the first-rank pledge right, and the Company agrees to such equity interest pledge arrangement.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

1. **Definitions**

- 1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

<b>“Contractual Obligations”</b>	Means all the contractual obligations of the Pledgors under the Power of Attorney, the Loan Agreement and the Option Agreement (including but not limited to the obligation of repaying loan under the Loan Agreement); all the contractual obligations of the Company under the Power of Attorney, the Service Agreement and the Option Agreement; all the contractual obligations of the Pledgors and the Company under this Agreement.
<b>“Secured Debts”</b>	Means all direct, indirect or consequential losses and the loss of expected income suffered by the Pledgee from any Breaching Event (as defined below) of the Pledgors and/or the Company, the amount of which is based on (but not limited to) the reasonable business plan and profit forecast of the Pledgee, as well as all expenses incurred by the Pledgee for enforcing the Pledgors and/or the Company to perform their Contractual Obligations.
<b>“Transaction Agreements”</b>	Means the Power of Attorney, the Service Agreement, the Loan Agreement and the Option Agreement.
<b>“Breaching Event”</b>	Means the breach by any Pledgor of any of his Contractual Obligations under the Power of Attorney, the Loan Agreement, the Option Agreement and/or this Agreement, and the breach by the Company of any of its Contractual Obligations under the Power of Attorney, the Service Agreement, the Option Agreement and/or this Agreement,.
<b>“Pledged Equity Interest”</b>	Means the entire Equity held by the Pledgors when this Agreement becomes effective and to be pledged in favor of the Pledgee according to this Agreement as the security for the performance by the Pledgors and the Company of the Contractual Obligations, as well as the capital contribution and dividend increased according to Article 2.6 and Article 2.7 hereof.
<b>“PRC Laws”</b>	Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.

- 1.2 Any reference to any PRC Laws shall be reference to: (i) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and (ii) other decisions, notices and regulations prepared or effective under the PRC Laws.

1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## **2. Pledge of Equity Interest**

- 2.1 The Pledgors hereby agree to create a pledge in favor of the Pledgee over the Pledged Equity Interest they legally own and have the lawful right to dispose of according to the provisions of this Agreement, as the security for performance of the Contractual Obligations and repayment of the Secured Debts by the Pledgors. The Company hereby agrees to the Pledgors' creation of the above pledge according to the provisions of this Agreement.
- 2.2 The Pledgors undertake to procure the equity interest pledge arrangement hereunder ("**Pledge of Equity Interest**") to be recorded on the register of shareholders of the Company on the Execution Date. The Pledgors further undertake to use their best efforts and take all necessary measures to promptly complete the registration of the Pledge of Equity Interest with the industrial and commercial administration having jurisdiction over the Company after the Execution Date.
- 2.3 During the term of this Agreement, the Pledgee is not responsible for any decrease in the value of the Pledged Equity Interest, except for that caused by the intentional misconduct or gross negligence having direct causation with the result of the Pledgee, and the Pledgors have no right to make any claim or demand against the Pledgee.
- 2.4 Without breaching the above Article 2.3, if there is any possibility that the value of the Pledged Equity Interest will be significantly reduced, which is enough to harm the rights of the Pledgee, the Pledgee may auction or sell the Pledged Equity Interest on behalf of the Pledgors at any time, and reach an agreement with the Pledgors to use the proceeds from the auction or sale to prepay the Secured Debts or lodge the proceeds with the notary at the place of the Pledgee (the cost of which shall be borne by the Pledgors). In addition, at the request of the Pledgee, the Pledgors shall provide other property as security of the Secured Debts.
- 2.5 When any Breaching Event occurs, the Pledgee has the right to dispose of the Pledged Equity Interest according to the provisions of Article 4 hereof.
- 2.6 The Pledgors may increase the capital of the Company only with prior consent of the Pledgee. Any additional capital contribution of the Pledgors made to the registered capital of the Company due to capital increase of the Company shall be part of the Pledge Equity. The Pledgors shall complete the pledge registration of the Equity corresponding to such additional capital contribution with the industrial and commercial administration having jurisdiction over the Company.
- 2.7 The Pledgors may receive dividend or bonus in respect of the Pledged Equity Interest only with prior consent of the Pledgee. The dividend or bonus received by the Pledgors in respect of the Pledged Equity Interest shall be deposited into the account designated by the Pledgee, supervised by the Pledgee, and used first for repayment of the Secured Debts.
- 2.8 The Pledgee has the right to dispose of any Pledged Equity Interest of the Pledgors according to the provisions of this Agreement after any Breaching Event occurs.

## **3. Release of Pledge**

- 3.1 After the Pledgors and the Company fully and completely perform all Contractual Obligations and repay all Secured Debts, the Pledgee shall, at the request of the Pledgors, release the Pledge of Equity Interest hereunder, and cooperate with the Pledgors to cancel the registration of the Pledge of Equity Interest on the register of shareholders of the Company and with the competent industrial and commercial administration. The reasonable cost for the release of the Pledge of Equity Interest shall be borne by the Pledgee.

**4. Disposal of the Pledged Equity Interest**

4.1 The Parties hereby agree that if any Breaching Event occurs the Pledgee has the right to all remedial rights and powers it enjoys under the PRC Laws, the Transaction Agreements and this Agreement after giving a written notice to the Pledgors, including but not limited to auctioning or selling the Pledged Equity Interest and receiving payment from the proceeds in the first place. The Pledgee shall not be liable for any loss caused by its reasonable exercise of such rights and powers.

The Pledgors further acknowledge and agree that their breach of Article 9 hereof shall constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 10 hereof shall constitute a material breach of this Agreement.

4.2 The Pledgee has the right to appoint in writing its lawyer or other agent to exercise any or all of the above rights and powers, to which the Pledgors or the Company shall not raise any objection.

4.3 The Pledgee has the right to deduct any reasonable cost incurred in its exercise of any or all of the above rights and powers from any amount it obtains from such exercise.

4.4 The amount obtained by the Pledgee from exercise of the above rights and powers shall be distributed:

First, for payment of disposal of the Pledged Equity Interest and all costs incurred by the Pledgee for exercise of its rights and powers (including paying the remuneration of its lawyer and agent);

Second, for payment of the taxes on the disposal of the Pledged Equity Interest; and

Third, for repayment of the Secured Debts to the Pledgee.

If there is any remaining amount after the above distribution, the Pledgee shall return such remaining amount to the Pledgors or other person entitled to such amount according to relevant laws and regulations, or lodge such amount with the notary at the place of the Pledgee (the cost of which shall be borne by the Pledgee).

4.5 The Pledgee has the right to exercise its remedies for breach of contract at the same time or successively. The Pledgee is not required to exercise other remedies first before exercising the right hereunder to auction or sell the Pledged Equity Interest.

**5. Costs and Expenses**

5.1 The Parties shall respectively bear all costs and expenses incurred relating to the creation of the Pledge of Equity Interest hereunder, including but not limited to the stamp duty, any other taxes and all legal costs.

**6. Continuing Security and No Waiver**

6.1 The Pledge of Equity Interest created hereunder is a continuing security, and is valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later. No waiver or grace by the Pledgee of any breach of the Pledgors, or any delay of the Pledgee in exercising its right under the Transaction Agreements and this Agreement, shall affect the Pledgee's right under this Agreement, relevant PRC Laws and the Transaction Agreements to request the Pledgors to strictly perform the Transaction Agreements and this Agreement at any time, or any right enjoyed by the Pledgee due to any subsequent breach by the Pledgors of the Transaction Agreements and/or this Agreement.

**7. Representations and Warranties of the Pledgors**

The Pledgors represent and warrant to the Pledgee that

- 7.1 They are natural persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 7.2 All reports, documents and information provided by them before effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 7.3 All reports, documents and information provided by them after effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 7.4 When this Agreement becomes effective, the Pledgors are the sole legal owner of the Pledged Equity Interest and there is not any pending or potential dispute over the title to the Pledged Equity Interest or any third party's claim. The Pledgors have the right to dispose of the Pledged Equity Interest or any part thereof.
- 7.5 Except for the security interest created over the Pledged Equity Interest under this Agreement or any right created under the Transaction Agreements, there is not any other security interest, any third party's interest and other restrictions over the Pledged Equity Interest.
- 7.6 The Pledged Equity Interest may be pledged and transferred legally, and the Pledgors have full right and power to pledge the Pledged Equity Interest in favor of the Pledgee according to the provisions hereof.
- 7.7 This Agreement shall constitute legal, valid and binding obligations of the Pledgors after the Pledgors properly sign it.
- 7.8 Except for the equity interest pledge registration with the competent industrial and commercial administration, any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority required by execution and performance of this Agreement and the Pledge of Equity Interest under this Agreement have been obtained or completed, and shall remain fully valid during the term of this Agreement.
- 7.9 The execution and performance by the Pledgors of this Agreement shall not violate or contradict to any law applicable to them, any agreement to which they are a party or by which they are bound, or any court's decision, arbitrator's award, or any administrative authority's decision.
- 7.10 The pledge hereunder constitutes the first-rank security interest over the Pledged Equity Interest.
- 7.11 All taxes and fees payable on the Pledged Equity Interest have been fully paid by the Pledgors.
- 7.12 There is no pending or, to the knowledge of the Pledgors, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledgors or their property or the Pledged Equity Interest that will have material or adverse effect on the Pledgors' economic conditions or their ability to perform the obligations or the security liabilities hereunder.
- 7.13 The Pledgors hereby warrant to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

## **8. Representations and Warranties of the Company**

The Company represents and warrants to the Pledgee that

- 8.1 The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- 8.2 All reports, documents and information provided by the Company before effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 8.3 All reports, documents and information provided by the Company after effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 8.4 This Agreement shall constitute legal, valid and binding obligations of the Company after the Company properly signs it.
- 8.5 It has full internal corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- 8.6 There is no pending or, to the knowledge of the Company, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledged Equity Interest or the Company or its assets that will have material or adverse effect on the Company's economic conditions or the Pledgors' ability to perform the obligations or the security liabilities hereunder.
- 8.7 The Company hereby agrees to be jointly and severally liable for the representations and warranties made by the Pledgors under Articles 7.4, 7.5, 7.6, 7.8, and 7.10 hereof.
- 8.8 The Company hereby warrants to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

## **9. Undertakings of the Pledgors**

The Pledgors hereby agree and irrevocably undertake to the Pledgee as follows:

- 9.1 Without the prior written consent of the Pledgee, the Pledgors will not create or permit the creation of any new pledge or other security interest over the Pledged Equity Interest, and any pledge or other security interest created over part or whole of the Pledged Equity Interest without the prior written consent of the Pledgee shall be void.
- 9.2 Without prior written notice to and prior written consent of the Pledgee, (i) the Pledgors will not transfer or otherwise dispose of the Pledged Equity Interest, or request the Company to reduce its capital, and any such acts taken by the Pledgors without prior consent of the Pledgee shall be void; (ii) the Pledgors will not assist or permit other existing shareholder (if applicable) to take the above acts without the prior written consent of the Pledgee. The proceeds of the transfer or other disposal of the Pledged Equity Interest by the Pledgors shall be first used to repay the Secured Debts to the Pledgee or lodged with the third person agreed with the Pledgee.
- 9.3 When any legal action, arbitration or other claim occurs and may have adverse effect on the interest of the Pledgors or the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest, the Pledgors undertake to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 9.4 The Pledgors undertake to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 9.5 The Pledgors will not take or permit any acts or behaviors that may have adverse effect on the Pledgee's interest under the Transaction Agreements and this Agreement or the Pledged Equity Interest.

- 9.6 After execution of this Agreement, the Pledgors shall use their best efforts and take all necessary actions to promptly complete the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and the Pledgors undertake to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.
- 9.7 If the exercise of the pledge hereunder causes transfer of the Pledged Equity Interest, the Pledgors undertake to take all actions to realize such transfer.
- 9.8 Where a shareholders' decision is made or a meeting of the shareholders or board of directors of the Company is convened to execute this Agreement or create or exercise the pledge hereunder, the Pledgors shall ensure the decision or the convening procedure, voting method and content of the meeting shall not violate any laws, administrative regulations of articles of association of the Company.
- 9.9 The Pledgors will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by them may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

#### **10. Undertakings of the Company**

The Company hereby agrees and irrevocably undertakes to the Pledgee as follows:

- 10.1 If the execution and performance of this Agreement and the Pledge of Equity Interest hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to obtain the same and maintain the same fully valid during the term of this Agreement.
- 10.2 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to create any new pledge or other security interest over the Pledged Equity Interest.
- 10.3 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to transfer or otherwise dispose of the Pledged Equity Interest.
- 10.4 When any legal action, arbitration or other claim occurs and may have adverse effect on the Company, the Pledged Equity Interest, or the interest of the Pledgee under the Transaction Agreements and this Agreement, the Company undertakes to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 10.5 The Company undertakes to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 10.6 The Company will not take or permit actions, behaviors or inactions that may have adverse effect on the interest of the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest.
- 10.7 The Company will provide the Pledgee with the financial statements of the previous calendar quarter, including but not limited to the balance sheet, the income statement and the cash flow statement, within the first month of every calendar quarter.
- 10.8 The Company undertakes to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.



- 10.9 In the event of any transfer of the Pledged Equity Interest resulting from the exercise of the right of pledge hereunder, the Company warrants that it shall take all the necessary actions to effect such transfer.
- 10.10 The Company undertakes that after execution of this Agreement it will promptly assist the Pledgors to apply for the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and provide all necessary cooperation to complete the registration promptly.
- 10.11 The Company will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by the Pledgors may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

## **11. Change of Situation**

- 11.1 In addition to and without breaching other provisions of the Transaction Agreements and this Agreement, if the Pledgee believes that maintaining the validity of this Agreement and/or disposing the Pledged Equity Interest in the way specified in this Agreement become illegal or contradict to any laws, regulations or rules, due to the change to the interpretation or application of such laws, regulations or rules or due to the change of relevant registration procedure, the Pledgors and the Company shall immediately take any actions and/or sign any agreements or other documents pursuant to the written instruction and at the reasonable request of the Pledgee, to:
- (a) Maintain the validity of this Agreement;
  - (b) Benefit the disposal of the Pledged Equity Interest in the way specified in this Agreement; and/or
  - (c) Maintain or realize the security created or purported to create under this Agreement.

## **12. Effectiveness and Term of the Agreement**

- 12.1 This Agreement becomes effective when the Parties properly sign it.
- 12.2 This Agreement shall remain valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later.

## **13. Notice**

- 13.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 13.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **14. Miscellaneous**

- 14.1 The Pledgors and the Company agree that after the Pledgee may transfer its rights and/or obligations to any third party after giving notices to the Pledgors and the Company. However, the Pledgors or the Company shall not transfer any right, obligation or liability hereunder to any third party, without the prior written consent of the Pledgee.

- 14.2 The amount of the Secured Debts confirmed by the Pledgee when it exercises the pledge right to the Pledged Equity Interest according to the provisions hereof shall be the conclusive evidence of the Secured Debts hereunder.
- 14.3 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Pledgee.
- 14.4 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 14.5 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 14.6 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.7 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 14.8 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.

- 14.9 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 14.10 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 14.11 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Equity Pledge Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Pledgee transfers its rights hereunder according to Article 14.1.
- 14.12 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The successors or permitted assigns (if any) of the Pledgors and the Company shall continue to perform the obligations of the Pledgors and the Company hereunder. The Pledgors warrant to the Pledgee that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, creditors, liquidators, administrators, and other persons who may obtain the equity in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Pledgors and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Pledgee.
- 14.13 At the same time of signing this Agreement, the Pledgors shall sign a Power of Attorney (“**POA**”, in the form of Exhibit 2 attached hereto), authorizing the person designated by the Pledgee to sign any and all legal documents required for the Pledgee’s exercise any right hereunder on behalf of the Pledgors according to this Agreement. The POA shall be maintained by the Pledge, and if necessary, the Pledgee may submit the POA with relevant government authority at any time.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

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[Signature page of the Equity Interest Pledge Agreement]

**Xia Heng**

Signature:

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[Signature page of the Equity Interest Pledge Agreement]

**He Tao**

Signature:

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[Signature page of the Equity Interest Pledge Agreement]

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (seal)**

Legal representative: He Tao

Signature:

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[Signature page of the Equity Interest Pledge Agreement]

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Basic Information of the Company**

Company name Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.  
Registered address Room 209 (self-proclaimed), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Registered capital RMB ten million  
Legal representative He Tao  
Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xiaopeng Motors Technology Co., Ltd.	50%	Five million
Xia Heng	40%	Four million
He Tao	10%	One million



Exhibit 2:

**Power of Attorney**

I, Xia Heng, hereby irrevocably authorize \_\_\_\_\_ (\_\_\_\_\_), as the agent of the Company, to sign all legal documents required or desired for the exercise by Guangzhou Xiaopeng Motors Technology Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, the Company and Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. in relation to Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd..

The Principal: Xia Heng

Signature:

Date:

Exhibit 3:

**Power of Attorney**

I, He Tao, hereby irrevocably authorize \_\_\_\_\_ (\_\_\_\_\_), as the agent of the Company, to sign all legal documents required or desired for the exercise by Guangzhou Xiaopeng Motors Technology Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, the Company and Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. in relation to Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd..

The Principal: He Tao

Signature:

Date:

**Power of Attorney**

**Between**

**Xia Heng, He Tao**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**In relation to Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**September 6, 2021**

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## Power of Attorney

This Power of Attorney (“**Agreement**”) is made by the following parties on September 6, 2021 (“**Execution Date**”):

1. Xia Heng, ID No.: 431224198311070057  
Residential address: Room 1608, Unit 2, Xiaofengyuan, Qifuxincun, Shiguang Road, Panyu District, Guangzhou  
He Tao (ID No.: 42102219850731001);  
Residential address: Room 3c905, No. 13 Huihai Street, Jinshazhou, Baiyun District, Guangzhou  
Xia Heng and He Tao hereinafter are collectively referred to as “**Existing Shareholders**”.
2. Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”), with its registered address at Room 109 (self-proclaimed), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being He Tao.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”), with its registered address at Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou, and its legal representative being Xia Heng.

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. On the execution date of this Agreement, the capital contribution of the Existing Shareholders in the registered capital of the Company is RMB5 million, accounting for 50% of the shares; the capital contribution of the WFOE in the registered capital of the Company is RMB5 million, accounting for 50% of the shares.
2. The Existing Shareholders intend to entrust the person designated by the WFOE to exercise their voting powers and decision-making powers in the Company, and the WFOE intends to designate the person to accept the entrustment.

**Now, therefore**, the Parties agree as follows upon consensus through negotiation:

### 1. Grant of Proxy Powers

- 1.1 The Existing Shareholders hereby irrevocably undertake that after the execution of this Agreement, they will respectively sign a Power of Attorney in the substance and form as shown in Schedule 1 hereto, authorizing any director or the successor of the director (including the liquidator who replaces the director and his successor) of the WFOE or its direct or indirect shareholders designated by the WFOE, excluding persons who are not independent or will have conflicts of interest, and for the avoidance of doubt, such proxies shall not include the Existing Shareholders and shall not be the “contacts” of the Existing Shareholders as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Proxies**”), to exercise the following rights enjoyed by the Existing Shareholders as shareholders of the Company according to the Articles of Association of the Company then in effect on their behalf (hereinafter referred to as “**Entrusted Rights**”):
  - (a) Representing the Existing Shareholders to propose to convene and attend the shareholders’ meeting of the Company according to the Articles of Association;

- (b) Representing the Existing Shareholders to exercise voting rights on all matters to be discussed and resolved at the shareholders' meeting, sign meeting minutes, and make and sign resolutions, including but not limited to: appointing and electing directors, supervisors and other senior management personnel of the Company to be appointed and removed by shareholders; disposing of assets of the Company; amending the Articles of Association; dissolving or liquidating the Company, forming a liquidation group on behalf of the Existing Shareholders, and exercising the powers enjoyed by the liquidation group during the liquidation period according to law;
- (c) Representing the Existing Shareholders to submit any required documents to relevant company registration agencies or other relevant authorities;
- (d) Any shareholders' rights and other shareholders' voting rights provided in applicable laws and regulations of China and the Articles of Association (including any other shareholders' rights and voting rights stipulated under the Articles of Association as amended);
- (e) Subject to subsection (b) of section 1.1, when the Existing Shareholders transfer their equity in the Company, agree to the transfer of the Company's assets, reduce their capital contribution to the Company, or accept the additional capital contribution by the WFOE to the Company according to the Exclusive Option Agreement signed by the Existing Shareholders on the Execution Date, signing relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders' decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase, on behalf of the Existing Shareholders;
- (f) Subject to the laws and regulations of China and the Articles of Association, instructing the directors and senior management personnel of the Company to act at the instructions of the WFOE and its designee.

The above authorization of Powers is subject to consent of WFOE. When and only if the WFOE issues to the Existing Shareholders a written notice of removing or replacing the Proxy, the Existing Shareholders shall immediately entrust other person designated then by the WFOE to exercise the above Powers. The new authorization shall supersede the original one immediately after it is made. Except the foregoing, the Existing Shareholders shall not revoke any authorization to or Powers of the Proxy.

- 1.2 The Proxy shall perform his/her duties diligently and carefully to the extent of the Powers hereunder. The Existing Shareholders shall acknowledge and assume corresponding liabilities for any legal consequences of exercising the above Powers by the Proxy.
- 1.3 The Existing Shareholders hereby acknowledge that the Proxy is not required to seek for opinions of the Existing Shareholders when exercising the above Powers.

## **2. Right of Information**

- 2.1 The Proxy has the right to know relevant information of the operation, business, client, finance, employee, etc. of the Company, and consult relevant documents of the Company, to exercise the Powers. The Company and the Existing Shareholders shall provide full cooperation.

## **3. Exercise of the Powers**

- 3.1 The Existing Shareholders shall provide full assistance for the Proxy to exercise the Powers, including prompt signing of the shareholders' decision made by the Proxy or other related legal documents when necessary (for example, to meet the requirements of the government authority on submitting documents for approval, registration, and filing).
- 3.2 If it is unable to grant or exercise the Powers due to any reason (except the breach of the Existing Shareholders or the Company) at any time during the term of this Agreement, the Parties shall immediately seek an alternative closed to the unachievable provisions, and enter into a supplemental agreement when necessary to amend or adjust the provisions, to ensure the purpose of this Agreement can be achieved.

**4. Exemption of Liability and Indemnification**

- 4.1 The Parties acknowledge that in no event will the WFOE be liable in any way to other Parties or any third party or make any economic or other compensation with respect to the exercise by the person designated by it of the Powers.
- 4.2 The Existing Shareholders and the Company agree to indemnify the WFOE and hold the WFOE harmless from all losses the WFOE suffers or may suffer from the exercise by the Proxy of the Powers, including but not limited to any losses arising from any litigation, demand, arbitration, claim or assertion of rights by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of the Proxy.

**5. Representations and Warranties**

5.1 The Existing Shareholders hereby represent and warrant that:

- (a) The Existing Shareholders are persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder. This Agreement is executed and delivered by them legally and properly, constitutes legal and binding obligations of them, and is enforceable against them according to its terms.
- (d) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on September 6, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- (e) The Existing Shareholders shall not make any proposal, claim or request to amend, modify, terminate or otherwise change the articles of association of the Company, without consent of the WFOE.

5.2 The Existing Shareholders hereby irrevocably undertake to the WFOE that they will immediately, without any delay, notify the WFOE of any circumstance that the equity held by them in the Company may be transferred to any third party other than the WFOE or its designated individual or entity due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

5.3 The WFOE and the Company hereby severally but not jointly represent and warrant that:

- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- 5.4 The Company further represents and warrants that:
- (a) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on September 6, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- 5.5 The Company hereby irrevocably undertakes to the WFOE that it will immediately, without any delay, notify the WFOE of any circumstance that the equity held by the Existing Shareholders in the Company may be transferred to any third party other than the WFOE or the individual or entity designated by the WFOE due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

## **6. Term of Agreement**

- 6.1 Subject to Article 6.2 and Article 6.3, this Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 6, 2021. This Agreement shall be valid for twenty (20) years, unless the Parties terminate it in writing in advance, or this Agreement is early terminated according to Article 9.1 hereof. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless the WFOE notifies the other Parties thirty (30) days in advance that this Agreement will not be renewed.
- 6.2 Where the business period of the Company or the WFOE expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of the Company or the WFOE expires.
- 6.3 If the Existing Shareholders transfer their whole equity in the Company upon prior consent of the WFOE, or no longer hold any equity in the Company after reduction of the Company's capital, they will no longer be Parties to this Agreement (subject, however, to Articles 4, 5.1, 6, 7, 8, 9, and 10) and this Agreement shall terminate when the Existing Shareholders have completed relevant obligations of assistance hereunder, all required documents have been properly signed, and relevant internal corporate procedure of the Company and the approval, registration, filing and other procedure of the government have been completed.

## **7. Notice**

- 7.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 7.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **8. Confidentiality Obligations**

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 8.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the termination of this Agreement.

## **9. Liabilities for Breach of Contract**

- 9.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and each of the other Parties (“**Non-breaching Parties**”) has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholders or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
  - (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 9.1, the Company and the Existing Shareholders further acknowledge and agree that their breach of Article 5 hereof will constitute a material breach of this Agreement.

- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.

## **10. Miscellaneous**

- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.



### 10.3 Dispute Resolution

- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 10.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 10.9 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Power of Attorney entered into by the Parties on May 28, 2018 and the Supplementary Agreement on April 20, 2021. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 10.10.

- 10.10 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.
- 10.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholders warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholders and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Xia Heng**

Signature:

**He Tao**

Signature:

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (seal)**

Legal representative: He Tao

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. on September 6, 2021 and issued to \_\_\_\_\_ (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers of mine, as a shareholder of Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on my behalf, including but not limited to nominating and appointing directors of the Company and other officers to be appointed and removed by shareholders;
- (2) Exercising, as my agent, other shareholder’s voting powers specified in the articles of association of the Company (including any other shareholder’s voting powers specified in amended the articles of association of the Company); and
- (3) When I transfer my equity in the Company, agree to the transfer of the Company’s assets, reduce my capital contribution to the Company, or accept the additional capital contribution by the Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as my agent, relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders’ decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase.

I hereby irrevocably acknowledge that unless the WFOE issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between the WFOE, the Company and the Existing Shareholders on September 6 2021 expires or terminates early.

[No text below.]

The Principal: Xia Heng

Signature:

Date: September 6, 2021

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. on September 6, 2021 and issued to \_\_\_\_\_ (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers of mine, as a shareholder of Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on my behalf, including but not limited to nominating and appointing directors of the Company and other officers to be appointed and removed by shareholders;
- (2) Exercising, as my agent, other shareholder’s voting powers specified in the articles of association of the Company (including any other shareholder’s voting powers specified in amended the articles of association of the Company); and
- (3) When I transfer my equity in the Company, agree to the transfer of the Company’s assets, reduce my capital contribution to the Company, or accept the additional capital contribution by the Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as my agent, relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders’ decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase.

I hereby irrevocably acknowledge that unless the WFOE issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between the WFOE, the Company and the Existing Shareholders on September 6, 2021 expires or terminates early.

[No text below.]

The Principal: He Tao

Signature:

Date: September 6, 2021



**Loan Agreement**

**Between**

**Xia Heng, He Tao**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**September 6, 2021**

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## Loan Agreement

This loan agreement (“**Agreement**”) is made by the following parties on September 6, 2021 (“**Execution Date**”):

1. Xia Heng, ID No.: 431224198311070057  
Residential address: Room 1608, Unit 2, Xiaofengyuan, Qifuxincun, Shiguang Road, Panyu District, Guangzhou  
He Tao (ID No.: 42102219850731001);  
Residential address: Room 3c905, No. 13 Huihai Street, Jinshazhou, Baiyun District, Guangzhou  
Xia Heng and He Tao hererinafter are collectively referred to as “**Borrowers**”.
2. Guangzhou Xiaopeng Motors Technology Co., Ltd.(“**Lender**”).  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Parties entered into the Loan Agreement (hereinafter referred to as the “Original Loan Agreement”) on May 28, 2018, and the Supplementary Agreement on Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. on April 20, 2021 to make appropriate amendments to the relevant clauses of the Original Loan Agreement.
2. On September 6, 2021, the Lender and the Borrower entered into the Equity Transfer Contract on Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. regarding the transfer of 50% of equity of the Domestic-Funded Company held by the Borrower. Pursuant to the Contract, the Borrower transferred the original paid-in capital of RMB5,000,000 (SAY RMB FIVE MILLION ONLY) (50% of the registered capital of the Domestic-Funded Company) to the Lender at the transfer consideration of RMB5,000,000 (SAY RMB FIVE MILLION ONLY). The Lender agrees to pay the above equity transfer consideration to the Borrower before December 31, 2021, and the Borrower will immediately repay the loan provided by the Lender under the Original Loan Agreement after receiving the above equity transfer consideration. On the execution date of this Agreement, the Borrower’s capital contribution in the registered capital of the Domestic-Funded Company is RMB5,000,000, accounting for 50% of the shares; the Lender’s capital contribution in the registered capital of the Domestic-Funded Company is RMB5,000,000, accounting for 50% of the shares.
3. The Borrower obtained a loan (as defined below) from the Lender in accordance with the terms and conditions of this Agreement for use in its business activities.
4. The Lender intends to provide the Loan to the Borrowers according to the terms and conditions of this Agreement.

The Parties agree as follows to specify their rights and obligations under the Loan arrangement:

**1. Definitions**

1.1 In this Agreement:

<b>“Domestic Company”</b>	Means Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd., a limited liability company established in China.
<b>“Loan”</b>	Means the loan provided by the Lender to the Borrowers under Article 2.1 hereof in one lump sum or in installments, the principal of which amounts to RMB five million (RMB5,000,000).
<b>“Loan Term”</b>	Has the meaning set forth in Article 4.1 hereof.
<b>“Outstanding Amount”</b>	Means the amount under the Loan that has not been repaid by the Borrowers.
<b>“Repayment Notice”</b>	Has the meaning set forth in Article 4.2 hereof.
<b>“China”</b>	Means the People’s Republic of China, for purpose hereof, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 6.1 hereof.
<b>“Prohibited Transactions”</b>	Has the meaning set forth in Article 7.1 hereof.
<b>“Prohibited Documents”</b>	Has the meaning set forth in Article 7.1 hereof.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 10.5 hereof.

1.2 The terms used in this Agreement have the following meanings:

“**Articles**” means the articles of this Agreement, unless the context requires otherwise;

“**Taxes**” shall be interpreted to include any taxes, costs, duties or other charges of the same nature (including but not limited to any penalty or interest on any unpaid or delayed taxes); and

“**Borrowers**” and “**Lender**” shall be interpreted to include their respective successors and assigns.

1.3 Unless the context requires otherwise, any reference to this Agreement or any other agreement or document shall be interpreted to include any amendment, modification, replacement or supplement to this Agreement and other agreement or document that have already made or may be made from time to time.

**2. Loan**

2.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide the Loan in the principal of RMB five million (RMB5,000,000) to the Borrowers.

The Borrowers may only use the Loan for its operation activities approved by the Lender.

Without the prior written consent of the Lender, the Borrowers shall not use part or all of the Loan for any other purpose.

2.2 For avoidance of doubt, the Parties acknowledge that the Lender and/or any third party designated by the Lender has already provided the Loan to the Borrowers in the full amount set forth under Article 2.1.

2.3 The Parties acknowledge that the Borrowers shall perform the repayment obligation and other obligations hereunder to the Lender according to the provisions of this Agreement.

2.4 The Borrowers have entered into the equity interest pledge agreement with the Lender on the Execution Date according to the requirement of the Lender, and created a pledge in favor of the Lender over their whole equity in the Domestic Company as the security for performance of the Borrowers’ obligations hereunder (including but not limited to repaying the Outstanding Amount according to the provisions hereof).

### 3. Interest

3.1 The Lender acknowledges that the interest on the Loan will be settled on a calendar year basis (in case of less than one year, settled based on the result of the actual number of days / 365 days), and at the Shanghai Interbank Offered Rate, provided that the Borrowers do not breach this Agreement.

### 4. Repayment

4.1 This Agreement is formed when both Parties formally sign it, and, once formed, shall become effective retrospectively from September 6, 2021 ("**Effective Date**"). The loan term hereunder shall start from the Effective Date, and end on the earliest of the following: (i) twenty (20) years after the Execution Date; (ii) the date when the Lender's business term expires; or (iii) the date when the Domestic Company's business term expires ("**Loan Term**"). When the Loan Term expires, unless the Parties agree through negotiation to renew the Loan, the Borrowers shall repay the whole Outstanding Amount in one lump sum on the date when the Loan Term expires. In such case, subject to applicable laws and regulations, the Lender may accept payment of the Transfer Price of the Option Equity (as defined in the Exclusive Option Agreement) by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties.

4.2 During the Loan Term, the Lender may decide in its absolute sole discretion to accelerate the Loan at any time, and issue a repayment notice ("**Repayment Notice**") to any Borrower ten (10) days in advance, requesting the Borrower to repay the Outstanding Amount in whole or in part according to the provisions of this Agreement.

In the event that the Lender requests the Borrowers to repay the Outstanding Amount according to the above paragraph, subject to the applicable laws and regulations, the Lender may accept payment of the Transfer Price of the designated equity by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties on the Execution Date. The ratio of the equity to be purchased to the equity held by the Lender on the date when it completes the subscription of the registered capital of the Domestic Company, shall be the ratio of the part of the Outstanding Amount required to be repaid in the Repayment Notice to the total Loan amount borrowed by the Borrowers according to this Agreement.

Notwithstanding the above provisions, the Loan will become due and payable immediately if:

- (a) the Domestic Company is dissolved and goes into liquidation, or the Domestic Company goes into bankruptcy;
- (b) the Borrowers are no longer the shareholders of the Domestic Company;
- (c) part or whole of the equity held by the Borrowers in the Domestic Company is transferred to any individual or entity other than the Lender and/or its designated individual or entity due to any applicable law, or the decision or award of any court or arbitrator (including but not limited to due to repayment of any debt) ("**Involuntary Equity Transfer**");
- (d) the Lender decides in its absolute sole discretion that any Involuntary Equity Transfer may occur.

- 4.3 The Parties agree and acknowledge that the Borrowers shall repay the corresponding Outstanding Amount in cash (or in other form specified in the resolution properly passed by the board of directors of the Lender).
- 4.4 When the Borrowers repay the Outstanding Amount according to this Article 4, if the Lender elects to purchase the equity in the Domestic Company according to Article 4.1 or Article 4.2, the Parties shall complete the equity transfer simultaneously, and ensure that the Lender or any third party designated by the Lender has accepts transfer of the corresponding equity in the Domestic Company free of any pledge or other forms of encumbrances legally and wholly in accordance with the above provisions at the same time of repayment of the Outstanding Amount. When the transfer of equity in the Domestic Company is carried out according to the above provisions, the Borrowers shall provide all reasonable cooperation and waive any right of first refusal they have.
- 4.5 The Borrowers will not assume any repayment obligation hereunder when they transfer their whole equity in the Domestic Company to the Lender or any third party designated by the Lender and fully repay the Outstanding Amount according to Article 4 hereof.

**5. Taxes**

- 5.1 The taxes relating to the Loan shall be borne by the Parties respectively according to law.

**6. Confidentiality Obligations**

- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.

## 7. Undertakings and Warranties

- 7.1 The Borrowers hereby undertake and warrant that without prior written consent of the Lender, they will not make or authorize others (including but not limited to the directors of the Domestic Company they nominate) to make any resolution, instruction, consent or order, agreeing, authorizing or procuring the Domestic Company to carry out any transactions that will or may have material effect on the assets, rights, obligations or business of the Domestic Company (including its branches and/or subsidiaries) ("**Prohibited Transactions**"), including but not limited to:
- (a) Borrowing or incurring any debt from any third party (except the debt with a single amount of no more than RMB 100,000, or the debts with an aggregate amount of no more than RMB 100,000 within six (6) consecutive months, incurred during the normal course of business);
  - (b) Providing any security in favor of any third party for its own debt, or providing any security for any third party;
  - (c) Transferring any business, material asset, or actual or potential business opportunity to any third party;
  - (d) Transferring or licensing to any third party any domain name, trademark or other intellectual property to which the Domestic Company holds legal title, or disposing of the material asset of the Domestic Company in other forms;
  - (e) Transferring to any third party part or all of their equity in the Domestic Company; or
  - (f) Other major transactions;
- or enter into any agreement, contract, memorandum or other forms of transaction documents on the Prohibited Transactions ("**Prohibited Documents**"), nor permit, through action or inaction, the making of any Prohibited Transactions or signing of any Prohibited Documents.
- 7.2 The Borrowers will procure the directors and officers of the Domestic Company to strictly comply with the provisions hereof when they perform their duties in the capacity of directors or officers of the Domestic Company, and will not take any action or inaction in contradiction with the above undertaking.
- 7.3 The Borrowers will immediately, without any delay, notify the Lender of any circumstance that the equity held by them in the Domestic Company may be transferred to any third party other than the Lender or the individual or entity designated by the Lender due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

## 8. Notice

- 8.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 8.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## 9. Liabilities for Breach of Contract

- 9.1 The Borrowers irrevocably undertake that if the Lender suffers or incurs any action, charge, claim, cost, damage, request, expense, liability, loss or proceeding due to their breach of any obligation hereunder, they shall be liable for corresponding damages to the Lender. The Borrowers further acknowledge and agree that their breach of Article 7 hereof shall constitute a material breach of this Agreement.
- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.

## 10. Miscellaneous

- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Lender.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 10.3 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.

- 10.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 10.9 This Agreement shall supersede all oral or written agreements, understandings and communications concluded by the Parties with respect to the subject matter of this Agreement, including the Original Loan Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Lender transfers its rights hereunder according to Article 10.10.
- 10.10 Without prior written consent of the Lender, the Borrowers shall not transfer their right and/or obligation hereunder to any third party. Upon notice to the other Parties, the Lender has the right to transfer any right hereunder to any third party designated by it.
- 10.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Borrowers warrant to the Lender that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, liquidators, administrators, creditors and other persons who may obtain the equity in the Domestic Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Borrowers shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Lender.

*[The remainder of this page is intentionally left blank. Signature page follows.]*



**Xia Heng**

Signature:

**He Tao**

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Exclusive Service Agreement**

**Between**

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**September 6, 2021**

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## Exclusive Service Agreement

This exclusive service agreement (“**Agreement**”) is made by the following parties on September 6, 2021:

1. Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd, with its registered address at Room 209 (self-proclaimed), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being He Tao (“**Party A**”).
2. Guangzhou Xiaopeng Motors Technology Co., Ltd., with its registered address at Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou, and its legal representative being Xia Heng (“**Party B**”).

(Each of Party A and Party B is hereinafter referred to collectively as the “**Parties**” and individually as a “**Party**”).

### Recitals:

Whereas, Party A is a limited liability company established in Guangzhou and validly existing according to law, the business scope of which is “computer technology development, technical services; car leasing; computer technology transfer services; road cargo transportation agency; logistics agency services; software wholesale; software retail; software development; software services; software testing services; software technology promotion services; data processing and storage services; design of data processing and storage product; corporate management services (except for the business projects subject to license); corporate management consulting services; marketing planning services; conference and exhibition services; advertising industry; online goods sales (except the goods subject to license and approval); online goods retail (except the goods subject to license and approval); computer network system engineering services; network technology research and development; network information technology promotion services; network security information consultation; IT consulting services; goods information consulting services; technical research and development of vehicle engineering; road freight transportation; online car-hailing transportation; value-added telecommunications services (the service types shall be subject to the contents specified in the Value-added Telecommunications Business License);

Whereas, Party B is a limited liability company registered and legally existing in Guangzhou, with its business scope being “engineering and technology research and experimental development; wholesale of auto parts; sales of distributed AC charging piles; sales of motor vehicle charging; centralized fast charging station; car rental; industrial design services; sales of new energy vehicles; sales of new vehicles; communication equipment manufacturing; Internet sales (except for sales of goods that require license); manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; sales of electrical equipment; manufacturing of power electronic devices and components; sales of power electronic devices and components; software sales; software development; technical service, technical development, technical consultation, technical exchange, technical transfer and technical promotion; information technology consulting service; motor vehicle repair and maintenance; non-residential real estate leasing; mechanical equipment leasing; warehousing equipment leasing service; import and export of technology; import and export of goods”;

Whereas, Party A needs Party B to provide the services related to Party A’s Business (as defined below) and Party B agrees to provide such services to Party A.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

1. **Definitions**

1.1 The following terms used in this Agreement have the meanings below, unless this Agreement stipulates otherwise or the context requires otherwise:

**“Party A’s Business”** Means the business activities conducted and developed by Party A at the present or at any time during the term of this Agreement.

**“Services”** Means the services provided by Party B within its business scope to Party A exclusively with respect to Party A’s Business, including but not limited to:  
engineering and technology research and experimental development; wholesale of auto parts; sales of distributed AC charging piles; sales of motor vehicle charging; centralized fast charging station; car rental; industrial design services; sales of new energy vehicles; sales of new vehicles; communication equipment manufacturing; Internet sales (except for sales of goods that require license); manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; sales of electrical equipment; manufacturing of power electronic devices and components; sales of power electronic devices and components; software sales; software development; technical service, technical development, technical consultation, technical exchange, technical transfer and technical promotion; information technology consulting service; motor vehicle repair and maintenance; non-residential real estate leasing; mechanical equipment leasing; warehousing equipment leasing service; import and export of technology; import and export of goods.

**“Annual Business Plan”** Means the business development plan and budget report of Party A for the next calendar year prepared by Party A with the assistance of Party B before November 30 of each year according to this Agreement.

**“Service Fee”** Means all fees payable by Party A to Party B for the Services provided by Party B according to Article 3 hereof.

**“Business-related IP”** Means any and all intellectual properties developed by Party A based on the Services provided by Party B hereunder with respect to Party A’s Business.

**“Confidential Information”** Has the meaning set forth in Article 6.1 hereof.

**“Breaching Party”** Has the meaning set forth in Article 12.1 of this Agreement.

**“Breach”** Has the meaning set forth in Article 12.1 of this Agreement.

**“Party’s Rights”** Has the meaning set forth in Article 14.5 of this Agreement.

1.2 Any reference to any laws and regulations (“Laws”) shall be reference to:

- (a) those Laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
- (b) other decisions, notices and regulations prepared or effective under the Laws.

1.3 Unless the context indicates otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## **2. Services**

- 2.1 During the term of this Agreement, party A entrusts exclusively Party B to provide the Services, and Party B shall diligently provide Party A with the Services according to the needs of Party A's Business. The Parties understand that Party B's actual provision of Services is subject to Party B's approved business scope. If the Service requested to be provided by Party A exceeds Party B's approved business scope, Party B shall apply for expanding its business scope to the maximum extent permitted by Laws, and continue to provide relevant Service after the expansion of its business scope is approved.
- 2.2 Party B shall communicate and exchange relevant information of Party A's Business with Party A, to provide the Services hereunder.
- 2.3 Notwithstanding any other provisions hereof, Party B has the right to designate any third party to provide the Services hereunder in whole or in part, or delegate the third party to perform its obligations hereunder. Party A hereby agrees that Party B has the right to transfer its rights and obligations hereunder to any third party.

## **3. Service Fee**

- 3.1 In respect of the Services provided by Party B according to this Agreement, Party A shall pay the Service Fee to Party B according to the following provisions:
  - 3.1.1 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B on an annual basis for the Services provided by Party B to Party A in each calendar year of the term of this Agreement.
  - 3.1.2 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B separately for the specific Services provided by Party B to Party A from time to time at the request of Party A.
- 3.2 Party B shall promptly issue payment notice and special VAT invoice to Party A and settle annually. Party A shall pay Party B the above Service Fee (tax inclusive) within one month after receiving the invoice.
- 3.3 The Parties agree that to extent that the scope of Service and the amount of the Service Fee specified in Article 3.1 and Article 3.2 do not violate any mandatory provisions of laws and regulations, the Parties shall determine and adjust according to the proposal made by Party B from time to time. Party A shall not reject Party B's proposal without any reasonable cause.
- 3.4 The Parties shall assume their respective taxes and obligations of withholding (if any) according to the applicable laws.

## **4. Obligations of Party A**

- 4.1 Party B's services hereunder are exclusive. During the term of this Agreement, without the prior written consent of Party B, Party A shall not enter into any agreement with any other third party or accept from such third party any other service same as or similar to the services provided by Party B.
- 4.2 Party A shall provide Party B with its definitive Annual Business Plan for the next year before November 30 of each year so that Party B may prepare corresponding service plan and arrange the required manpower and service capacity. If Party A needs any manpower to be arranged by Party B temporarily, it shall negotiate with Party B fifteen (15) days in advance to reach an agreement.
- 4.3 To facilitate the provision of the Services by Party B, at the request of Party B, Party A shall provide Party B with the information required by Party B.

- 4.4 Party A shall pay the Service Fee to Party B promptly and fully according to the provisions of Article 3 hereof.
- 4.5 Party A shall maintain its own good reputation, actively expand its business, and strive to maximize its revenue.
- 4.6 During the term of this Agreement, Party A agrees to cooperate with Party B and Party B's parent company (whether direct or indirect) to carry out audits on related-party transactions or other issues and provide relevant information and material relating to Party A's operation, business, client, finance, employee, etc. to Party B and Party B's parent company or the auditor appointed by Party B, and agrees that Party B's parent company may disclose such information or material to meet the requirements of the regulators in the place where the securities of Party B's parent company are listed.

## **5. Intellectual Property Rights**

- 5.1 The intellectual property rights held originally or obtained during the term of this Agreement by Party B, including the intellectual property rights to the work achievement created during the provision of the Services, shall be owned by Party B.
- 5.2 Since Party A's Business is dependent on the Services to be provided by Party B hereunder, in respect of the intellectual property rights to the business developed by Party A based on the Services, Party A agrees that:
- (1) if the intellectual property rights to such business are obtained by Party A upon the entrustment of Party B or through the cooperation between Party A and Party B, the ownership and the application right related to relevant intellectual property rights shall be vested in Party B.
  - (2) if relevant intellectual property rights to the business are developed and obtained by Party A independently, the ownership shall be vested in Party A, provided that (A) Party A promptly notifies Party B of the details of such intellectual property rights and provides relevant information reasonably requested by Party B; (B) if Party A intends to license or transfer relevant intellectual property rights to the business, Party A shall first transfer such intellectual property rights to Party B or grant an exclusive license to Party B on such intellectual property rights subject to the mandatory provisions of the laws of China, and Party B may use such intellectual property rights to the extent of the transfer or license (however, Party B has the right to decide whether to accept such transfer or license); Party A can transfer or license such intellectual property rights to any third party only when Party B waives the priority to purchase such intellectual property rights or waives the exclusive license on the conditions not more favorable than those offered to Party B (including but not limited to the transfer price or license royalty), and shall ensure that the third party will fully comply with and perform the obligations of Party A hereunder; (C) except the circumstance specified in the above Item (B), during the term of this Agreement, Party B has the right to purchase relevant intellectual property rights to the business; then Party A shall agree to such purchase subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China.
- 5.3 If Party B is granted the exclusive license to use relevant intellectual property rights to the abovementioned business according to Paragraph (2) of Article 5.2 hereof, the following provisions shall apply:
- (1) The license period shall be no less than five (5) years (starting from the effective date of relevant license agreement);
  - (2) The scope of right under the license shall be as large as possible;
  - (3) During the license period and within the license scope, no other party (including Party A) other than Party B may use or permit others to use such intellectual property rights in whatever forms;



- (4) Without prejudice to the conditions under Paragraph (3) of Article 5.3, Party A has the right to decide in its sole discretion to authorize any other third party to use such intellectual property rights;
  - (5) When the license period expires, Party B has the right to renew the license agreement and Party A shall agree to such renewal. The original terms of the license agreement shall be maintained, except the changes approved by Party B.
- 5.4 Notwithstanding the provisions of Paragraph (2) of Article 5.2, if relevant intellectual property rights to the business specified in that paragraph can be established only when they are registered according to applicable law, the application for registration shall be carried out according to the following provisions:
- (1) If Party A intends to apply for the registration of the above intellectual property rights, it shall obtain the prior written consent of Party B.
  - (2) Party A may apply for the registration or transfer the application right to any third party only when Party B waives the right to purchase the right to apply for registration of relevant intellectual property rights to the business. Where Party A transfers the above application right to any third party, Party A shall ensure the third party to fully comply with and perform its obligations hereunder. Meanwhile, the conditions on which Party A transfers the application right to the third party (including but not limited the transfer price) shall not be more favorable than the conditions it offers to Party B under Paragraph (3) of Article 5.4.
  - (3) During the term of this Agreement, Party B may request at any time Party A to apply for registration of relevant intellectual property rights to the business, and decide in its sole discretion whether to purchase the above application right. At the request of Party B, Party A shall transfer the application right to Party B subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China. Party B shall become the legal owner of relevant intellectual property rights to the business after it obtains the application right and then applies for and completes the registration of such intellectual property rights.
- 5.5 Each Party undertakes to indemnify the other Party any and all economic losses incurred by the other Party due to the first Party's infringement of other's intellectual property rights (including copyright, trademark, patent, and know-how).

## 6. Confidentiality Obligations

- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement ("**Confidential Information**") regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.

**7. Representations and Warranties of Party A**

Party A hereby represents and warrants to Party B that

- 7.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 7.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.
- 7.3 it shall promptly notify Party B of any circumstance that has or may have material adverse effect on Party A's Business and operation, and use its best effort to prevent the occurrence of such circumstance and/or expansion of loss.
- 7.4 it shall not dispose of any of its material assets in whatever form or change its existing shareholding structure, without the written consent of Party B.
- 7.5 it holds all the business licenses and certificates required for its operation when this Agreement becomes effective, and has full right and qualification to operate Party A's Business currently conducted by it in China.
- 7.6 At the written request of Party B, it shall use all of its current accounts receivable and/or other assets it legally owns and may dispose of as the security for the payment of the Service Fee specified in Article 3 hereof.
- 7.7 it shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.
- 7.8 it shall not enter into any other agreement or arrangement that contradicts to this Agreement or may damage Party B's interest hereunder, without the written consent of Party B.

**8. Representations and Warranties of Party B**

Party B hereby represents and warrants to Party A that

- 8.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 8.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.

**9. Term of Agreement**

- 9.1 This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 6, 2021. This Agreement shall be valid for twenty (20) years, unless this Agreement expressly provides otherwise or the Parties terminate it by written notice. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless Party B notifies Party A thirty (30) days in advance that this Agreement will not be renewed.
- 9.2 Where the business period of Party A or Party B expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of Party A or Party B expires. The Parties shall complete the approval or registration formalities on extension of their respective business period three (3) months before expiration of their respective business period to renew the term of this Agreement.
- 9.3 The Parties shall continue to perform the obligations under Article 6 hereof when and after this Agreement terminates.

**10. Indemnification**

Party A shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.

**11. Notice**

- 11.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 11.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

**12. Liabilities for Breach of Contract**

- 12.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and the other Party has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the other Party gives a written notice requesting correction, and if the Breaching Party is Party A, then Party B has the right to (1) terminate this Agreement and request the Breaching Party to compensate all damages; or (2) request the enforcement of the Breaching Party’s obligations hereunder and request the Breaching Party to compensate all damages; if the Breaching Party is Party B, then Party A has the right to request the Breaching Party to continue to perform its obligations hereunder and to compensate all damages.
- 12.2 Notwithstanding any provisions of Article 12.1 hereof, the Parties agree and acknowledge that Party A shall not request to terminate this Agreement on whatever grounds and in whatever circumstances, unless the law or this Agreement provides otherwise.
- 12.3 Notwithstanding any other provisions hereof, this Article 12 shall survive the suspension or termination of this Agreement.

### 13. Force Majeure

Where either Party's performance of this Agreement is directly affected by or either Party is unable to perform this Agreement according to the provisions hereof due to any earthquakes, typhoons, floods, fires, wars, computer viruses, tool software design vulnerabilities, hacker attacks on the Internet, changes in policies or laws, and other force majeure events that are unforeseeable and the consequence of which are unpredictable or unavoidable, the affected Party shall immediately notify the other Party by fax, and within thirty (30) days, provide the details of the force majeure event and the certificate issued by a notary in the place of the force majeure event to prove that this Agreement is unable to perform or its performance needs to be postponed. The Parties shall negotiate to decide whether to waive part performance of this Agreement or to delay the performance based on the effect of the force majeure event on the performance of this Agreement. Neither Party shall be liable for any economic loss of the other Party caused by the force majeure event.

### 14. Miscellaneous

- 14.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with Party A holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by Party B.
- 14.2 The conclusion, validity, performance, modification, interpretation and dispute resolution of this Agreement shall be governed by the laws of China.
- 14.3 Dispute Resolution
- 14.3.1 Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
- 14.3.2 During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
- 14.3.3 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
- 14.3.4 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
- 14.3.5 After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
- 14.3.6 The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.

- 14.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 14.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 14.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 14.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 14.9 Upon execution, this Agreement will replace any other legal documents previously executed by the Parties on the same subject matter, including the Exclusive Service Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that Party B transfers its rights hereunder according to Article 14.10.
- 14.10 Without prior written consent of Party B, Party A shall not transfer its right and/or obligation hereunder to any third party. Party A agrees that without its written consent, Party B has the right to transfer unilaterally any right and/or obligation hereunder to any third party, provided that a written notice shall be given to Party A.
- 14.11 This Agreement shall bind and inure to the benefit of the legal assigns, successors and creditors of the Parties and other entities that may obtain the equity interest or relevant rights in the Parties.
- 14.12 The Parties undertake to declare and pay their respective taxes relating to the transaction contemplated hereunder according to law.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd (seal)**

Legal representative: He Tao

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Exclusive Option Agreement**

**Between**

**Xia Heng, He Tao**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**In relation to Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.**

**September 6, 2021**

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## Exclusive Option Agreement

This exclusive option agreement (“**Agreement**”) is made by the following parties on September 6, 2021 (“**Execution Date**”):

1. Xia Heng, ID No.: 431224198311070057  
Residential address: Room 1608, Unit 2, Xiaofengyuan, Qifuxincun, Shiguang Road, Panyu District, Guangzhou  
He Tao (ID No.: 42102219850731001);  
Residential address: Room 3c905, No. 13 Huihai Street, Jinshazhou, Baiyun District, Guangzhou  
Xia Heng and He Tao hererinafter are collectively referred to as “**Existing Shareholders**”.
2. Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”), with its registered address at Room 209 (self-proclaimed), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being He Tao.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”), with its registered address at Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou, and its legal representative being Xia Heng.

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Parties entered into the Exclusive Option Agreement (hereinafter referred to as the “Original Exclusive Option Agreement”) on May 28, 2018, and the Supplementary Agreement on Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. on April 20, 2021 making appropriate amendments to the relevant clauses of the Original Exclusive Option Agreement.
2. On September 6, 2021, the WFOE and the Existing Shareholders entered into the Equity Transfer Contract on Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. regarding the transfer of 50% of the Company’s equity held by the Existing Shareholders. Pursuant to this Contract, the Existing Shareholders transferred the original paid-in capital contribution of RMB5,000,000 (SAY RMB FIVE MILLION ONLY) (accounting for 50% of the Company’s registered capital) to the WFOE at the transfer consideration of RMB5,000,000 (SAY RMB FIVE MILLION ONLY). The WFOE agrees to pay the above equity transfer consideration to the Existing Shareholders before December 31, 2021. According to the Original Exclusive Option Agreement, the Existing Shareholders will immediately repay the loan provided by the WFOE under the Original Loan Agreement after receiving the above equity transfer consideration.
3. On the execution date of this Agreement, the Existing Shareholders and the WFOE are registered shareholders of the Company and hold all the shares of the Company according to law. On the execution date of this Agreement, the capital contribution of the Existing Shareholder in the registered capital of the Company is RMB5 million, accounting for 50% of the shares; the capital contribution of the WFOE in the registered capital of the Company is RMB5 million, accounting for 50% of the shares. The basic information of the Company is shown in Exhibit 1.
4. Subject to the current PRC Laws, the Existing Shareholders are willing to transfer their entire equity interest in the Company to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.
5. Subject to the current PRC Laws, the Company is willing to transfer its assets to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.

6. Subject to the current PRC Laws, the Company and the Existing Shareholders intend that the capital of the Company will be reduced and then increased by the WFOE or its designated entity and/or individual, and the WFOE is willing to subscribe for such additional capital by itself or by its designated entity and/or individual.
7. In order to effect the above transfer of equity interest and assets, the Existing Shareholders and the Company agree to grant to the WFOE the exclusive and irrevocable Equity Transfer Option and Asset Purchase Option. According to the Equity Transfer Option and Asset Purchase Option, subject to the PRC Laws, the Existing Shareholders or the Company, shall at the request of the WFOE transfer the Option Equity or the Assets (as defined below) to the WFOE and/or its designated entity and/or individual according to the provision hereof. In order to effect the above capital reduction of the Company and the capital increase by the WFOE to the Company, the Existing Shareholders and the Company agree to grant to the WFOE an irrevocable Capital Increase Option. According to the Capital Increase Option, subject to the PRC Laws, the Company shall reduce its capital at the request of the WFOE, and then the WFOE and/or its designated entity and/or individual will subscribe for the Capital Increase Equity (as defined below).
8. The Company agrees that the Existing Shareholders will grant to the WFOE the Equity Transfer Option (as defined below) according to this Agreement.
9. The Existing Shareholders agree that the Company will grant to the WFOE the Asset Purchase Option (as defined below) according to this Agreement.
10. The Company and the Existing Shareholders agree to grant to the WFOE the Capital Increase Option (as defined below) according to this Agreement.

**Now, therefore,** the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

- 1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

<b>“PRC Laws”</b>	Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.
<b>“Equity Transfer Option”</b>	Means the option granted by the Existing Shareholders to the WFOE according to the terms and conditions hereof to purchase the equity interest of the Company.
<b>“Asset Purchase Option”</b>	Means the option granted by the Company to the WFOE according to the terms and conditions hereof to purchase any asset of the Company.
<b>“Capital Increase Option”</b>	Means the option granted by the Company and the Existing Shareholder to the WFOE according to the terms and conditions hereof to request the Company to reduce its capital (part or all of the Option Equity (as defined below)), and to allow the WFOE and/or its designated entity and/or individual to purchase the newly increased registered capital of the Company.
<b>“Option Equity”</b>	Means the entire equity interest held by the Existing Shareholders in the Registered Capital (as defined below) of the Company, which accounts for 100% of the Registered Capital.

<b>“Registered Capital”</b>	Means the registered capital of the Company of RMB ten million (RMB10,000,000) as of the Execution Date, as may be expanded by any capital increase in whatever form during the term of this Agreement.
<b>“Transfer Equity”</b>	Means the equity interest which the WFOE has the right to request the Existing Shareholders to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Equity Transfer Option according to Article 3 hereof, the number of which may be part or all of the Option Equity and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Transfer Assets”</b>	Means the assets of the Company which the WFOE has the right to request the Company to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Asset Purchase Option according to Article 3 hereof, which may be part or all of the assets of the Company and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Capital Increase Equity”</b>	Means the newly increased Registered Capital which the WFOE and/or its designated entity and/or individual have the right to subscribe for after the reduction of capital of the Company when the WFOE exercises the Capital Increase Option according to Article 3 hereof, the number of which will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Exercise”</b>	Means the WFOE exercises the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option.
<b>“Transfer Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholders or the Company for acquisition of the Transfer Equity or the Transfer Assets at each Exercise.
<b>“Capital Reduction Price”</b>	Means the entire consideration payable by the Company to the Existing Shareholders for reduction of the Registered Capital at each Exercise of the WFOE.
<b>“Capital Increase Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Company for subscription of the Capital Increase Equity at each Exercise.
<b>“Business Licenses”</b>	Means any approvals, permits, filings, registrations, etc. the Company must hold for legally and validly operating its business, including but not limited to the Business License of Enterprise Legal Person and other relevant permits and certificates that may be required by the current PRC Laws.
<b>“Assets”</b>	Means all tangible and intangible assets that are owned or can be disposed of by the Company during the term of this Agreement, including but not limited to any real property, personal property, trademark, copyright, patent, know-how, domain name, software use right and other intellectual property rights.

<b>“Material Agreements”</b>	Means any agreements to which the Company is a party and which have material effect on the business or assets of the Company, including but not limited to the Exclusive Service Agreement and other material agreements relating to the business of the Company.
<b>“Exercise Notice”</b>	Has the meaning set forth in Article 3.9 of this Agreement.
<b>“Original Loan Agreement”</b>	Means the Loan Agreement dated May 28, 2018 between the Existing Shareholders and the WFOE.
<b>“Loan Agreement”</b>	Means the Loan Agreement dated September 6, 2021 between the Existing Shareholders and the WFOE.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 8.1 of this Agreement.
<b>“Breaching Party”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Breach”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Non-breaching Party ”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 12.5 of this Agreement.

1.2 Any reference to any PRC Laws shall be reference to:

- (a) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
- (b) other decisions, notices and regulations prepared or effective under the PRC Laws.

1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## 2. Grant of Equity Transfer Option, Asset Purchase Option and Capital Increase Option

2.1 The Existing Shareholders hereby agree to grant to the WFOE an irrevocable, unconditional and exclusive Equity Transfer Option, according to which the WFOE has the right to request the Existing Shareholders at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the Option Equity to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Equity Transfer Option.

2.2 The Company hereby agrees that the Existing Shareholders will grant to the WFOE the Equity Transfer Option according to the above Article 2.1 and other provisions hereof.

2.3 The Company hereby agrees to grant to the WFOE an irrevocable, unconditional and exclusive Asset Purchase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the part or all of the Assets to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Asset Purchase Option.

2.4 The Existing Shareholders hereby agree that the Company will grant to the WFOE the Asset Purchase Option according to the above Article 2.3 and other provisions hereof.

2.5 The Existing Shareholders and the Company hereby agree severally and jointly to grant to the WFOE an irrevocable, unconditional and exclusive Capital Increase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to reduce its capital, and, subject to the PRC Laws, the WFOE and/or its designated entity and/or individual have the right to subscribe for any Capital Increase Equity according to the terms and conditions hereof. The WFOE hereby agrees to accept the Capital Increase Option.

### **3. Way of Exercise**

- 3.1 Subject to the terms and conditions hereof and to the extent permitted by the PRC Laws, the WFOE has the absolute sole discretion to decide the time, way and number of its Exercise.
- 3.2 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the equity interest of the Company held by and from the Existing Shareholders to itself and/or its designated entity and/or individual.
- 3.3 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the Assets from the company to itself and/or its designated entity and/or individual.
- 3.4 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the Company to reduce its capital, and to subscribe for the Capital Increase Equity by itself and/or its designated entity and/or individual.
- 3.5 At each Exercise of the Equity Transfer Option, the WFOE has the right to determine the number of Transfer Equity that the Existing Shareholders shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Existing Shareholders shall transfer the Transfer Equity respectively to the WFOE and its designated entity and/or individual according to the number determined by the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Existing Shareholders for the Transfer Equity they receive in each Exercise.
- 3.6 At each Exercise of the Asset Purchase Option, the WFOE has the right to determine the specific Assets that the Company shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Company shall transfer the Assets to the WFOE and its designated entity and/or individual according to the determination of the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Company for the Transfer Assets they receive in each Exercise.
- 3.7 At each Exercise of the Capital Increase Option, the WFOE has the right to determine the number of capital that the Company shall reduce in the Exercise, and the WFOE has the right to request the Existing Shareholders to reduce their capital contribution to the Company. The Company and the Existing Shareholders shall reduce the capital of the Company according to the number determined by the WFOE. Moreover, the WFOE has the right to determine the number of Capital Increase Equity to be subscribed for by the WFOE and its designated entity and/or individual in each Exercise. The Company shall accept the subscription according to the requirements of the WFOE. The Company shall pay the Existing Shareholders the price for reduction of capital in each reduction of its Registered Capital. The WFOE and its designated entity and/or individual shall pay the Capital Increase Price to the Company for the Capital Increase Equity subscribed in each Exercise.
- 3.8 At each Exercise, the WFOE may accept transfer of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity, or may designate any third party to accept transfer of part or all of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity in part or in whole.

3.9 When the WFOE decides to exercise its option, it shall send to the Existing Shareholders and/or the Company the Equity Transfer Option Exercise Notice, the Asset Purchase Option Exercise Notice or the Capital Increase Option Exercise Notice (each a "Exercise Notice", in the form of Exhibit 2, Exhibit 3 and Exhibit 4 hereto). After receiving an Exercise Notice, the Existing Shareholders or the Company shall transfer the Transfer Equity or the Transfer Assets wholly to the WFOE and/or its designated entity and/or individual immediately according to Article 3.5 or Article 3.6 hereof, or reduce the capital of the Company according to Article 3.7 hereof, and allow the WFOE and/or its designated entity and/or individual to subscribe for the Capital Increase Equity.

#### **4. Transfer Price, Capital Reduction Price, and Capital Increase Price**

- 4.1 At each Exercise of the Equity Transfer Option, the entire Transfer Price payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholders is the capital contribution amount actually paid in the Registered Capital corresponding to the Transfer Equity. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. The Existing Shareholders, after receiving the Transfer Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.2 At each Exercise of the Asset Purchase Option, the WFOE and/or its designated entity and/or individual shall pay the Company the book value of relevant Assets. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply.
- 4.3 At each Exercise of the Capital Increase Option, the Company shall pay the Capital Reduction Price to the Existing Shareholders who reduce his capital contribution to the Company, and the Capital Reduction Price is the capital contribution amount actually paid in the Registered Capital which is reduced. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. Moreover, the entire Subscription Price payable by the WFOE and/or its designated entity and/or individual for subscription of the Capital Increase Equity is the Capital Reduction Price paid by the Company to the Existing Shareholders at the time of capital reduction. The Existing Shareholders, after receiving the Capital Reduction Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.4 The taxes incurred due to Exercise of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder according to the applicable laws shall be borne and paid by the Parties respectively.

#### **5. Representations and Warranties**

- 5.1 The Existing Shareholders hereby represent and warrant that
- (a) The Existing Shareholders are natural persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
  - (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
  - (c) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder.
  - (d) This Agreement constitutes their legal and binding obligations, and is enforceable against them according to the terms hereof.

- (e) The Existing Shareholders are the registered legal owner of the Option Equity when this Agreement becomes effective, and there is not any lien, pledge, claim, other security interest or third party's rights over the Option Equity, except for the Equity Transfer Option and the Capital Increase Option created hereunder, the pledge created under the Equity Interest Pledge Agreement dated September 6, 2021 between the Company, the WFOE and the Existing Shareholders, and the proxy created under the Power of Attorney dated September 6, 2021. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Transfer Equity free of any lien, pledge, claim, other security interest or third party's rights.
- (f) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created hereunder. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.

5.2 The Company hereby represents and warrants that

- (a) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- (c) This Agreement is legally and properly executed and delivered by the Company, and constitutes the legal and binding obligations of the Company.
- (d) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created under this Agreement. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.

5.3 The WFOE represents and warrants that

- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- (c) This Agreement is legally and properly executed and delivered by the WFOE, and constitutes its legal and binding obligations.

## 6. Undertakings of the Existing Shareholders

The Existing Shareholders hereby irrevocably undertake as follows:

6.1 During the term of this Agreement, without the prior written consent of the WFOE, they will not:

- (a) transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity;
- (b) increase or reduce the Registered Capital, or procure the Company to merge with other entity;
- (c) dispose of, or procure the management of the Company to dispose of, any material Assets (except for those occurred in the ordinary course of business);

- (d) terminate, or procure the management of the Company to terminate, any Material Agreements signed by the Company, or enter into any other agreement conflicting with the existing Material Agreements;
  - (e) appoint, remove or replace any of the Company's directors, supervisors or other officers to be appointed and removed by the Existing Shareholders;
  - (f) procure the Company to declare or distribute any distributable profit, bonus or dividend;
  - (g) take any action or behavior (including inaction) to affect the valid existence of the Company, nor take any act that may cause the Company to terminate, liquidate or dissolve;
  - (h) amend the Company's articles of association; or
  - (i) take any action or behavior (including inaction) to have the Company provide or borrow any loan, or provide any guarantee or other forms of security, or assume any material obligation outside of the ordinary course of business.
- 6.2 During the term of this Agreement, they will use their best efforts to develop the Company's business and ensure the Company's operation in compliance with laws and regulations, and will not take any act or inaction that may damage the Company's Assets or goodwill or affect the validity of the Company's Business Licenses.
- 6.3 During the term of this Agreement, they will promptly notify the WFOE any circumstance that may have material adverse effect on the existence, business, operation, finance, assets or goodwill of the Company, and promptly take all measures approved by the WFOE to exclude such circumstances or take other valid remedial measures.
- 6.4 Once the WFOE issues the Exercise Notice, the Existing Shareholders will:
- (a) immediately agree, through shareholder's resolution or other necessary actions, to the transfer the whole Transfer Equity or Transfer Assets from the Existing Shareholders or the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of the Company's capital, and accept the subscription by the WFOE and/or its designated entity and/or individual of the Company's Capital Increase Equity, as the case may be;
  - (b) with respect to the Equity Transfer Option, immediately sign the equity transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Equity to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Equity and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Equity;
  - (c) with respect to the Capital Increase Option, immediately sign the capital reduction agreement with the Company in the form and substance satisfactory to the WFOE, and assist and cooperate with the Company to go through the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction of the Company and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.
- 6.5 If the Transfer Price from transfer of the Transfer Equity, or the Capital Reduction Price from the reduction of the Company's capital, and/or the distribution of the remaining property of the Company in case of the termination, liquidation or other circumstance of the Company, received by the Existing Shareholders, is higher than their capital contribution to the Company, or if they receive any forms of profit distribution, bonus or dividend from the Company, they agree and acknowledge that subject to the PRC Laws they will not enjoy the income of the premiums and any profit distribution, bonus or dividend (after deducting relevant taxes) and such income and profit distribution, bonus or dividend will be vested in the WFOE. The Existing Shareholders will instruct relevant receiving party or the Company to pay the income to the bank account designated by the WFOE.



- 6.6 They irrevocably agree to the execution and performance by the Company of this Agreement, and will assist the Company with the execution and performance of this Agreement, including but not limited to signing all necessary documents or the documents required by the WFOE and taking all necessary actions or the actions required by the WFOE, and will not take any action or inaction to prevent the WFOE from claiming and realizing any right hereunder.
- 6.7 They will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by them may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

**7. Undertakings of the Company**

7.1 The Company hereby irrevocably undertakes that

- (a) If the execution and performance of this Agreement and the grant of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to meet the above conditions.
- (b) Without prior written consent of the WFOE, it will not assist or permit the Existing Shareholders to transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity.
- (c) Without prior written consent of the WFOE, it will not transfer or otherwise dispose of any material Assets (except for the disposal occurred in the ordinary course of business) or create any security interest or other third party's right over the Assets.
- (d) It will not take or permit any action or behavior that may have adverse effect on the WFOE's interest hereunder, including but not limited to any action or behavior subject to Article 6.1.
- (e) It will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by any Existing Shareholder may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

7.2 Once the WFOE issues the Exercise Notice,

- (a) The Company shall procure the Existing Shareholders to agree, through shareholders' resolution or taking of other necessary actions, to the transfer of the whole Transfer Assets from the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of capital of the Company, and to allow the WFOE and/or its designated entity and/or individual to subscribe for the whole Capital Increase Equity at the Capital Increase Price, as the case may be;
- (b) with respect to the Asset Purchase Option, the Company will immediately sign the asset transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Assets to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Assets and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Assets.

- (c) with respect to the Capital Increase Option, the Company will immediately sign the capital reduction agreement with the Existing Shareholders in the form and substance satisfactory to the WFOE and the amended and restated articles of association (amendment to the articles of association of the Company), and the Company will go through, and the Existing Shareholders shall procure the Company to go through, the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.

## **8. Confidentiality Obligations**

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 8.2 The Parties acknowledge that the following information is not Confidential Information:
  - (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the suspension or termination of this Agreement.

## **9. Term of Agreement**

This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 6, 2021. Unless the WFOE requires otherwise, this Agreement will terminate when the whole Option Equity and Assets are transferred to the WFOE and/or its designated entity and/or individual according to the provisions hereof.

## **10. Notice**

- 10.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 10.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## 11. Liabilities for Breach of Contract

- 11.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any covenant hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and each of the other Parties (“**Non-breaching Parties**”) has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholders or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
  - (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 11.1, the Existing Shareholders further acknowledge and agree that their breach of Article 6 hereof will constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 7 hereof will constitute a material breach of this Agreement.

- 11.2 Notwithstanding any other provisions hereof, this Article 11 shall survive the suspension or termination of this Agreement.

## 12. Miscellaneous

- 12.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.
- 12.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 12.3 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party’s attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) he Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A’s business operation, restricting and/or disposing of Party A’s equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.

- (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article
- 12.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 12.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 12.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 12.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 12.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 12.9 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Original Exclusive Option Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 12.10.
- 12.10 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.
- 12.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholders warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholders and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

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*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Xia Heng**

Signature:

**He Tao**

Signature:

**Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (seal)**

Legal representative: He Tao

Signature:



**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

Exhibit 1:

**Basic Information of the Company**

Company name                      Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.  
Registered address                Room 209, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Registered capital                 RMB ten million  
Legal representative                He Tao  
Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xiaopeng Motors Technology Co., Ltd.	50%	5,000,000
He Xiaopeng	40%	4,000,000
Xia Heng	10%	1,000,000

Exhibit 2:

**Form of Exercise Notice**

To: Xia Heng and He Tao

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, and Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd (“**Company**”) on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer your equity interest in the Company to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Equity Transfer Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the [•]% equity interest held by you in the Company (“**Transfer Equity**”). Please transfer the above Transfer Equity to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 2 to the Exclusive Option Agreement

Exhibit 3:

**Form of Exercise Notice**

To: Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, and Xia Heng and He Tao on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer your assets to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Asset Purchase Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the assets owned by you as listed in the schedule attached hereto (“**Transfer Assets**”). Please transfer the above Transfer Assets to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 3 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.

Xia Heng and He Tao

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd. (“**Company**”), and Xia Heng and He Tao on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall reduce the capital of the Company, and allow us or any third party designated by us to subscribe for the newly increased registered capital of the Company.

Therefore, we hereby notify you as follows:

We hereby exercise the Capital Increase Option under the Option Agreement, and request the Company to reduce its registered capital by RMB[•]. After completion of the capital reduction, the registered capital of the Company will become RMB[•], and Xia Heng and He Tao will not hold equity interest in the Company / Xia Heng and He Tao will hold [•] equity interest in the Company.

Meanwhile, we or [name of the entity/individual designated by us] will subscribe for the newly increased registered capital of the Company of RMB[•]. After completion of the above capital increase, the registered capital of the Company will become RMB[•].

Please immediately complete the capital reduction according to the Option Agreement after receiving this notice, and allow us or [name of the entity/individual designated by us] to subscribe for the newly increased registered capital of the Company.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 4 to the Exclusive Option Agreement

**Equity Interest Pledge Agreement**

**Between**

**He Xiaopeng, Xia Heng**

**And**

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.**

**And**

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**In relation to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**September 10, 2021**

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## Equity Interest Pledge Agreement

This equity interest pledge agreement (“**Agreement**”) is made by the following parties on September 10, 2021 (“**Execution Date**”):

1. He Xiaopeng (ID No.: 440203197711032118) and Xia Heng (ID No.: 431224198311070057) (“**Pledgors**”);  
Contact address: Room 102, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou
2. Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Company**”).
3. Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Pledgee**”).

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. On the execution date of this Agreement, the Pledgor and the Pledgee are registered shareholders of the Company. The Pledgor holds 50% equity of the Company according to law (hereinafter referred to as the “**Pledgor’s Equity**”), and the Pledgee holds 50% equity of the Company according to law. On the execution date of this Agreement, the Pledgor’s capital contribution in the registered capital of the Company is RMB5,000,000 (SAY RMB FIVE MILLION ONLY), accounting for 50% of the shares; the Pledgee’s capital contribution in the registered capital of the Company is RMB5,000,000 (SAY RMB FIVE MILLION ONLY), accounting for 50% of the shares. The basic information of the Company is shown in Exhibit 1.
2. The Parties entered into the Power of Attorney on September 10, 2021. According to the Power of Attorney, the Pledgors irrevocably and exclusively authorized the person to be designated by the Pledgee to exercise their voting powers at the Company on their halves.
3. The Pledgee and the Pledgors entered into the Loan Agreement (“**Loan Agreement**”) on September 10, 2021. According to the Loan Agreement, the Pledgee will provide the Pledgors with a loan with an aggregate principal of RMB five million (RMB5,000,000) (“**Loan**”) for the Pledgors’ operation.
4. The Company and the Pledgee entered into the Exclusive Service Agreement (“**Service Agreement**”) on September 10, 2021. According to the Service Agreement, the Company engages the Pledgee exclusively to provide relevant services, and agrees to pay corresponding service fees to the Pledgee for such services.
5. The Parties entered into the Exclusive Option Agreement (“**Option Agreement**”) on September 10, 2021. According to the Option Agreement, upon the request of the Pledgee, the Pledgors and the Company shall, subject to the PRC Laws, transfer part or whole of their Equity or part or whole of the Company’s assets to the Pledgee and/or its designated entity and/or individual according to the requirements of the Pledgee, or the Company shall reduce its capital and allow the Pledgee and/or its designated entity and/or individual to subscribe for the newly added registered capital of the Company.
6. As the security for performance of the Contractual Obligations (as defined below) and repayment of the Secured Debts (as defined below) by the Pledgors, the Pledgors are willing to create a pledge over their Equity in favor of the Pledgee and grant the Pledgee the first-rank pledge right, and the Company agrees to such equity interest pledge arrangement.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

**“Contractual Obligations”** Means all the contractual obligations of the Pledgors under the Power of Attorney, the Loan Agreement and the Option Agreement (including but not limited to the obligation of repaying loan under the Loan Agreement); all the contractual obligations of the Company under the Power of Attorney, the Service Agreement and the Option Agreement; all the contractual obligations of the Pledgors and the Company under this Agreement.

**“Secured Debts”** Means all direct, indirect or consequential losses and the loss of expected income suffered by the Pledgee from any Breaching Event (as defined below) of the Pledgors and/or the Company, the amount of which is based on (but not limited to) the reasonable business plan and profit forecast of the Pledgee, as well as all expenses incurred by the Pledgee for enforcing the Pledgors and/or the Company to perform their Contractual Obligations.

**“Transaction Agreements”** Means the Power of Attorney, the Service Agreement, the Loan Agreement and the Option Agreement.

**“Breaching Event”** Means the breach by any Pledgor of any of his Contractual Obligations under the Power of Attorney, the Loan Agreement, the Option Agreement and/or this Agreement, and the breach by the Company of any of its Contractual Obligations under the Power of Attorney, the Service Agreement, the Option Agreement and/or this Agreement,.

**“Pledged Equity Interest”** Means the entire Equity held by the Pledgors when this Agreement becomes effective and to be pledged in favor of the Pledgee according to this Agreement as the security for the performance by the Pledgors and the Company of the Contractual Obligations, as well as the capital contribution and dividend increased according to Article 2.6 and Article 2.7 hereof.

**“PRC Laws”** Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.

1.2 Any reference to any PRC Laws shall be reference to: (i) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and (ii) other decisions, notices and regulations prepared or effective under the PRC Laws.

1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.



## **2. Pledge of Equity Interest**

- 2.1 The Pledgors hereby agree to create a pledge in favor of the Pledgee over the Pledged Equity Interest they legally own and have the lawful right to dispose of according to the provisions of this Agreement, as the security for performance of the Contractual Obligations and repayment of the Secured Debts by the Pledgors. The Company hereby agrees to the Pledgors' creation of the above pledge according to the provisions of this Agreement.
- 2.2 The Pledgors undertake to procure the equity interest pledge arrangement hereunder ("**Pledge of Equity Interest**") to be recorded on the register of shareholders of the Company on the Execution Date. The Pledgors further undertake to use their best efforts and take all necessary measures to promptly complete the registration of the Pledge of Equity Interest with the industrial and commercial administration having jurisdiction over the Company after the Execution Date.
- 2.3 During the term of this Agreement, the Pledgee is not responsible for any decrease in the value of the Pledged Equity Interest, except for that caused by the intentional misconduct or gross negligence having direct causation with the result of the Pledgee, and the Pledgors have no right to make any claim or demand against the Pledgee.
- 2.4 Without breaching the above Article 2.3, if there is any possibility that the value of the Pledged Equity Interest will be significantly reduced, which is enough to harm the rights of the Pledgee, the Pledgee may auction or sell the Pledged Equity Interest on behalf of the Pledgors at any time, and reach an agreement with the Pledgors to use the proceeds from the auction or sale to prepay the Secured Debts or lodge the proceeds with the notary at the place of the Pledgee (the cost of which shall be borne by the Pledgors). In addition, at the request of the Pledgee, the Pledgors shall provide other property as security of the Secured Debts.
- 2.5 When any Breaching Event occurs, the Pledgee has the right to dispose of the Pledged Equity Interest according to the provisions of Article 4 hereof.
- 2.6 The Pledgors may increase the capital of the Company only with prior consent of the Pledgee. Any additional capital contribution of the Pledgors made to the registered capital of the Company due to capital increase of the Company shall be part of the Pledge Equity. The Pledgors shall complete the pledge registration of the Equity corresponding to such additional capital contribution with the industrial and commercial administration having jurisdiction over the Company.
- 2.7 The Pledgors may receive dividend or bonus in respect of the Pledged Equity Interest only with prior consent of the Pledgee. The dividend or bonus received by the Pledgors in respect of the Pledged Equity Interest shall be deposited into the account designated by the Pledgee, supervised by the Pledgee, and used first for repayment of the Secured Debts.
- 2.8 The Pledgee has the right to dispose of any Pledged Equity Interest of the Pledgors according to the provisions of this Agreement after any Breaching Event occurs.

## **3. Release of Pledge**

- 3.1 After the Pledgors and the Company fully and completely perform all Contractual Obligations and repay all Secured Debts, the Pledgee shall, at the request of the Pledgors, release the Pledge of Equity Interest hereunder, and cooperate with the Pledgors to cancel the registration of the Pledge of Equity Interest on the register of shareholders of the Company and with the competent industrial and commercial administration. The reasonable cost for the release of the Pledge of Equity Interest shall be borne by the Pledgee.

#### **4. Disposal of the Pledged Equity Interest**

4.1 The Parties hereby agree that if any Breaching Event occurs the Pledgee has the right to all remedial rights and powers it enjoys under the PRC Laws, the Transaction Agreements and this Agreement after giving a written notice to the Pledgors, including but not limited to auctioning or selling the Pledged Equity Interest and receiving payment from the proceeds in the first place. The Pledgee shall not be liable for any loss caused by its reasonable exercise of such rights and powers.

The Pledgors further acknowledge and agree that their breach of Article 9 hereof shall constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 10 hereof shall constitute a material breach of this Agreement.

4.2 The Pledgee has the right to appoint in writing its lawyer or other agent to exercise any or all of the above rights and powers, to which the Pledgors or the Company shall not raise any objection.

4.3 The Pledgee has the right to deduct any reasonable cost incurred in its exercise of any or all of the above rights and powers from any amount it obtains from such exercise.

4.4 The amount obtained by the Pledgee from exercise of the above rights and powers shall be distributed:

First, for payment of disposal of the Pledged Equity Interest and all costs incurred by the Pledgee for exercise of its rights and powers (including paying the remuneration of its lawyer and agent);

Second, for payment of the taxes on the disposal of the Pledged Equity Interest; and

Third, for repayment of the Secured Debts to the Pledgee.

If there is any remaining amount after the above distribution, the Pledgee shall return such remaining amount to the Pledgors or other person entitled to such amount according to relevant laws and regulations, or lodge such amount with the notary at the place of the Pledgee (the cost of which shall be borne by the Pledgee).

4.5 The Pledgee has the right to exercise its remedies for breach of contract at the same time or successively. The Pledgee is not required to exercise other remedies first before exercising the right hereunder to auction or sell the Pledged Equity Interest.

#### **5. Costs and Expenses**

5.1 The Parties shall respectively bear all costs and expenses incurred relating to the creation of the Pledge of Equity Interest hereunder, including but not limited to the stamp duty, any other taxes and all legal costs.

#### **6. Continuing Security and No Waiver**

6.1 The Pledge of Equity Interest created hereunder is a continuing security, and is valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later. No waiver or grace by the Pledgee of any breach of the Pledgors, or any delay of the Pledgee in exercising its right under the Transaction Agreements and this Agreement, shall affect the Pledgee's right under this Agreement, relevant PRC Laws and the Transaction Agreements to request the Pledgors to strictly perform the Transaction Agreements and this Agreement at any time, or any right enjoyed by the Pledgee due to any subsequent breach by the Pledgors of the Transaction Agreements and/or this Agreement.

**7. Representations and Warranties of the Pledgors**

The Pledgors represent and warrant to the Pledgee that

- 7.1 They are natural persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 7.2 All reports, documents and information provided by them before effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 7.3 All reports, documents and information provided by them after effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 7.4 When this Agreement becomes effective, the Pledgors are the sole legal owner of the Pledged Equity Interest and there is not any pending or potential dispute over the title to the Pledged Equity Interest or any third party's claim. The Pledgors have the right to dispose of the Pledged Equity Interest or any part thereof.
- 7.5 Except for the security interest created over the Pledged Equity Interest under this Agreement or any right created under the Transaction Agreements, there is not any other security interest, any third party's interest and other restrictions over the Pledged Equity Interest.
- 7.6 The Pledged Equity Interest may be pledged and transferred legally, and the Pledgors have full right and power to pledge the Pledged Equity Interest in favor of the Pledgee according to the provisions hereof.
- 7.7 This Agreement shall constitute legal, valid and binding obligations of the Pledgors after the Pledgors properly sign it.
- 7.8 Except for the equity interest pledge registration with the competent industrial and commercial administration, any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority required by execution and performance of this Agreement and the Pledge of Equity Interest under this Agreement have been obtained or completed, and shall remain fully valid during the term of this Agreement.
- 7.9 The execution and performance by the Pledgors of this Agreement shall not violate or contradict to any law applicable to them, any agreement to which they are a party or by which they are bound, or any court's decision, arbitrator's award, or any administrative authority's decision.
- 7.10 The pledge hereunder constitutes the first-rank security interest over the Pledged Equity Interest.
- 7.11 All taxes and fees payable on the Pledged Equity Interest have been fully paid by the Pledgors.
- 7.12 There is no pending or, to the knowledge of the Pledgors, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledgors or their property or the Pledged Equity Interest that will have material or adverse effect on the Pledgors' economic conditions or their ability to perform the obligations or the security liabilities hereunder.
- 7.13 The Pledgors hereby warrant to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

**8. Representations and Warranties of the Company**

The Company represents and warrants to the Pledgee that

- 8.1 The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- 8.2 All reports, documents and information provided by the Company before effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 8.3 All reports, documents and information provided by the Company after effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 8.4 This Agreement shall constitute legal, valid and binding obligations of the Company after the Company properly signs it.
- 8.5 It has full internal corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- 8.6 There is no pending or, to the knowledge of the Company, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledged Equity Interest or the Company or its assets that will have material or adverse effect on the Company's economic conditions or the Pledgors' ability to perform the obligations or the security liabilities hereunder.
- 8.7 The Company hereby agrees to be jointly and severally liable for the representations and warranties made by the Pledgors under Articles 7.4, 7.5, 7.6, 7.8, and 7.10 hereof.
- 8.8 The Company hereby warrants to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

## **9. Undertakings of the Pledgors**

The Pledgors hereby agree and irrevocably undertake to the Pledgee as follows:

- 9.1 Without the prior written consent of the Pledgee, the Pledgors will not create or permit the creation of any new pledge or other security interest over the Pledged Equity Interest, and any pledge or other security interest created over part or whole of the Pledged Equity Interest without the prior written consent of the Pledgee shall be void.
- 9.2 Without prior written notice to and prior written consent of the Pledgee, (i) the Pledgors will not transfer or otherwise dispose of the Pledged Equity Interest, or request the Company to reduce its capital, and any such acts taken by the Pledgors without prior consent of the Pledgee shall be void; (ii) the Pledgors will not assist or permit other existing shareholder (if applicable) to take the above acts without the prior written consent of the Pledgee. The proceeds of the transfer or other disposal of the Pledged Equity Interest by the Pledgors shall be first used to repay the Secured Debts to the Pledgee or lodged with the third person agreed with the Pledgee.
- 9.3 When any legal action, arbitration or other claim occurs and may have adverse effect on the interest of the Pledgors or the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest, the Pledgors undertake to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 9.4 The Pledgors undertake to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 9.5 The Pledgors will not take or permit any acts or behaviors that may have adverse effect on the Pledgee's interest under the Transaction Agreements and this Agreement or the Pledged Equity Interest.

- 9.6 After execution of this Agreement, the Pledgors shall use their best efforts and take all necessary actions to promptly complete the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and the Pledgors undertake to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.
- 9.7 If the exercise of the pledge hereunder causes transfer of the Pledged Equity Interest, the Pledgors undertake to take all actions to realize such transfer.
- 9.8 Where a shareholders' decision is made or a meeting of the shareholders or board of directors of the Company is convened to execute this Agreement or create or exercise the pledge hereunder, the Pledgors shall ensure the decision or the convening procedure, voting method and content of the meeting shall not violate any laws, administrative regulations of articles of association of the Company.
- 9.9 The Pledgors will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by them may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

#### **10. Undertakings of the Company**

The Company hereby agrees and irrevocably undertakes to the Pledgee as follows:

- 10.1 If the execution and performance of this Agreement and the Pledge of Equity Interest hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to obtain the same and maintain the same fully valid during the term of this Agreement.
- 10.2 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to create any new pledge or other security interest over the Pledged Equity Interest.
- 10.3 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to transfer or otherwise dispose of the Pledged Equity Interest.
- 10.4 When any legal action, arbitration or other claim occurs and may have adverse effect on the Company, the Pledged Equity Interest, or the interest of the Pledgee under the Transaction Agreements and this Agreement, the Company undertakes to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 10.5 The Company undertakes to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 10.6 The Company will not take or permit actions, behaviors or inactions that may have adverse effect on the interest of the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest.
- 10.7 The Company will provide the Pledgee with the financial statements of the previous calendar quarter, including but not limited to the balance sheet, the income statement and the cash flow statement, within the first month of every calendar quarter.
- 10.8 The Company undertakes to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.

- 10.9 In the event of any transfer of the Pledged Equity Interest resulting from the exercise of the right of pledge hereunder, the Company warrants that it shall take all the necessary actions to effect such transfer.
- 10.10 The Company undertakes that after execution of this Agreement it will promptly assist the Pledgors to apply for the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and provide all necessary cooperation to complete the registration promptly.
- 10.11 The Company will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by the Pledgors may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

## **11. Change of Situation**

- 11.1 In addition to and without breaching other provisions of the Transaction Agreements and this Agreement, if the Pledgee believes that maintaining the validity of this Agreement and/or disposing the Pledged Equity Interest in the way specified in this Agreement become illegal or contradict to any laws, regulations or rules, due to the change to the interpretation or application of such laws, regulations or rules or due to the change of relevant registration procedure, the Pledgors and the Company shall immediately take any actions and/or sign any agreements or other documents pursuant to the written instruction and at the reasonable request of the Pledgee, to:
- (a) Maintain the validity of this Agreement;
  - (b) Benefit the disposal of the Pledged Equity Interest in the way specified in this Agreement; and/or
  - (c) Maintain or realize the security created or purported to create under this Agreement.

## **12. Effectiveness and Term of the Agreement**

- 12.1 This Agreement becomes effective when the Parties properly sign it.
- 12.2 This Agreement shall remain valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later.

## **13. Notice**

- 13.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 13.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **14. Miscellaneous**

- 14.1 The Pledgors and the Company agree that after the Pledgee may transfer its rights and/or obligations to any third party after giving notices to the Pledgors and the Company. However, the Pledgors or the Company shall not transfer any right, obligation or liability hereunder to any third party, without the prior written consent of the Pledgee.

- 14.2 The amount of the Secured Debts confirmed by the Pledgee when it exercises the pledge right to the Pledged Equity Interest according to the provisions hereof shall be the conclusive evidence of the Secured Debts hereunder.
- 14.3 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Pledgee.
- 14.4 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 14.5 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 14.6 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.7 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 14.8 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.

- 14.9 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 14.10 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 14.11 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Equity Pledge Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Pledgee transfers its rights hereunder according to Article 14.1.
- 14.12 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The successors or permitted assigns (if any) of the Pledgors and the Company shall continue to perform the obligations of the Pledgors and the Company hereunder. The Pledgors warrant to the Pledgee that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, creditors, liquidators, administrators, and other persons who may obtain the equity in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Pledgors and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Pledgee.
- 14.13 At the same time of signing this Agreement, the Pledgors shall sign a Power of Attorney (“**POA**”, in the form of Exhibit 2 attached hereto), authorizing the person designated by the Pledgee to sign any and all legal documents required for the Pledgee’s exercise any right hereunder on behalf of the Pledgors according to this Agreement. The POA shall be maintained by the Pledge, and if necessary, the Pledgee may submit the POA with relevant government authority at any time.

*[The remainder of this page is intentionally left blank. Signature page follows.]*



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[Signature page of the Equity Interest Pledge Agreement]

**He Xiaopeng**

Signature: /s/ He Xiaopeng

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[Signature page of the Equity Interest Pledge Agreement]

**Xia Heng**

Signature: /s/ Xia Heng

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[Signature page of the Equity Interest Pledge Agreement]

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

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[Signature page of the Equity Interest Pledge Agreement]

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

Exhibit 1:

**Basic Information of the Company**

Company name                      Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.  
Registered address                Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Registered capital                RMB ten million  
Legal representative              Xia Heng

Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xiaopeng Motors Technology Co., Ltd.	50%	Five million
He Xiaopeng	40%	Four million
Xia Heng	10%	One million

Exhibit 2:

**Power of Attorney**

I, He Xiaopeng, hereby irrevocably authorize \_\_\_\_\_ (\_\_\_\_\_), as the agent of the Company, to sign all legal documents required or desired for the exercise by Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, the Company and Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. in relation to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd..

The Principal: He Xiaopeng

Signature: /s/ He Xiaopeng

Date: September 10, 2021

Exhibit 3:

**Power of Attorney**

I, Xia Heng, hereby irrevocably authorize \_\_\_\_\_ (\_\_\_\_\_), as the agent of the Company, to sign all legal documents required or desired for the exercise by Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, the Company and Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. in relation to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd..

The Principal: Xia Heng

Signature: /s/ Xia Heng

Date: September 10, 2021

**Power of Attorney**

**Between**

**He Xiaopeng, Xia Heng**

**And**

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.**

**And**

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**In relation to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**September 10, 2021**

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## Power of Attorney

This Power of Attorney (“**Agreement**”) is made by the following parties on September 10, 2021 (“**Execution Date**”):

1. He Xiaopeng (ID No.: 440203197711032118) and Xia Heng (ID No.: 431224198311070057) (“**Existing Shareholders**”);  
Contact address: Room 102, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou
2. Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Company**”).
3. Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**WFOE**”).

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. On the execution date of this Agreement, the capital contribution of the Existing Shareholders in the registered capital of the Company is RMB5 million, accounting for 50% of the shares; the capital contribution of the WFOE in the registered capital of the Company is RMB5 million, accounting for 50% of the shares.
2. The Existing Shareholders intend to entrust the person designated by the WFOE to exercise their voting powers and decision-making powers in the Company, and the WFOE intends to designate the person to accept the entrustment.

**Now, therefore**, the Parties agree as follows upon consensus through negotiation:

### **1. Grant of Proxy Powers**

- 1.1 The Existing Shareholders hereby irrevocably undertake that after the execution of this Agreement, they will respectively sign a Power of Attorney in the substance and form as shown in Schedule 1 hereto, authorizing any director or the successor of the director (including the liquidator who replaces the director and his successor) of the WFOE or its direct or indirect shareholders designated by the WFOE, excluding persons who are not independent or will have conflicts of interest, and for the avoidance of doubt, such proxies shall not include the Existing Shareholders and shall not be the “contacts” of the Existing Shareholders as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Proxies**”), to exercise the following rights enjoyed by the Existing Shareholders as shareholders of the Company according to the Articles of Association of the Company then in effect on their behalf (hereinafter referred to as “**Entrusted Rights**”):
  - (a) Representing the Existing Shareholders to propose to convene and attend the shareholders’ meeting of the Company according to the Articles of Association;
  - (b) Representing the Existing Shareholders to exercise voting rights on all matters to be discussed and resolved at the shareholders’ meeting, sign meeting minutes, and make and sign resolutions, including but not limited to: appointing and electing directors, supervisors and other senior management personnel of the Company to be appointed and removed by shareholders; disposing of assets of the Company; amending the Articles of Association; dissolving or liquidating the Company, forming a liquidation group on behalf of the Existing Shareholders, and exercising the powers enjoyed by the liquidation group during the liquidation period according to law;

- (c) Representing the Existing Shareholders to submit any required documents to relevant company registration agencies or other relevant authorities;
- (d) Any shareholders' rights and other shareholders' voting rights provided in applicable laws and regulations of China and the Articles of Association (including any other shareholders' rights and voting rights stipulated under the Articles of Association as amended);
- (e) Subject to subsection (b) of section 1.1, when the Existing Shareholders transfer their equity in the Company, agree to the transfer of the Company's assets, reduce their capital contribution to the Company, or accept the additional capital contribution by the WFOE to the Company according to the Exclusive Option Agreement signed by the Existing Shareholders on the Execution Date, signing relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders' decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase, on behalf of the Existing Shareholders;
- (f) Subject to the laws and regulations of China and the Articles of Association, instructing the directors and senior management personnel of the Company to act at the instructions of the WFOE and its designee.

The above authorization of Powers is subject to consent of WFOE. When and only if the WFOE issues to the Existing Shareholders a written notice of removing or replacing the Proxy, the Existing Shareholders shall immediately entrust other person designated then by the WFOE to exercise the above Powers. The new authorization shall supersede the original one immediately after it is made. Except the foregoing, the Existing Shareholders shall not revoke any authorization to or Powers of the Proxy.

- 1.2 The Proxy shall perform his/her duties diligently and carefully to the extent of the Powers hereunder. The Existing Shareholders shall acknowledge and assume corresponding liabilities for any legal consequences of exercising the above Powers by the Proxy.
- 1.3 The Existing Shareholders hereby acknowledge that the Proxy is not required to seek for opinions of the Existing Shareholders when exercising the above Powers.

## **2. Right of Information**

- 2.1 The Proxy has the right to know relevant information of the operation, business, client, finance, employee, etc. of the Company, and consult relevant documents of the Company, to exercise the Powers. The Company and the Existing Shareholders shall provide full cooperation.

## **3. Exercise of the Powers**

- 3.1 The Existing Shareholders shall provide full assistance for the Proxy to exercise the Powers, including prompt signing of the shareholders' decision made by the Proxy or other related legal documents when necessary (for example, to meet the requirements of the government authority on submitting documents for approval, registration, and filing).
- 3.2 If it is unable to grant or exercise the Powers due to any reason (except the breach of the Existing Shareholders or the Company) at any time during the term of this Agreement, the Parties shall immediately seek an alternative closed to the unachievable provisions, and enter into a supplemental agreement when necessary to amend or adjust the provisions, to ensure the purpose of this Agreement can be achieved.

**4. Exemption of Liability and Indemnification**

- 4.1 The Parties acknowledge that in no event will the WFOE be liable in any way to other Parties or any third party or make any economic or other compensation with respect to the exercise by the person designated by it of the Powers.
- 4.2 The Existing Shareholders and the Company agree to indemnify the WFOE and hold the WFOE harmless from all losses the WFOE suffers or may suffer from the exercise by the Proxy of the Powers, including but not limited to any losses arising from any litigation, demand, arbitration, claim or assertion of rights by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of the Proxy.

**5. Representations and Warranties**

5.1 The Existing Shareholders hereby represent and warrant that:

- (a) The Existing Shareholders are natural persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder. This Agreement is executed and delivered by them legally and properly, constitutes legal and binding obligations of them, and is enforceable against them according to its terms.
- (d) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on September 10, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- (e) The Existing Shareholders shall not make any proposal, claim or request to amend, modify, terminate or otherwise change the articles of association of the Company, without consent of the WFOE.

5.2 The Existing Shareholders hereby irrevocably undertake to the WFOE that they will immediately, without any delay, notify the WFOE of any circumstance that the equity held by them in the Company may be transferred to any third party other than the WFOE or its designated individual or entity due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

5.3 The WFOE and the Company hereby severally but not jointly represent and warrant that:

- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.

- 5.4 The Company further represents and warrants that:
- (a) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on September 10, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- 5.5 The Company hereby irrevocably undertakes to the WFOE that it will immediately, without any delay, notify the WFOE of any circumstance that the equity held by the Existing Shareholders in the Company may be transferred to any third party other than the WFOE or the individual or entity designated by the WFOE due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

## 6. Term of Agreement

- 6.1 Subject to Article 6.2 and Article 6.3, this Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 10, 2021. This Agreement shall be valid for twenty (20) years, unless the Parties terminate it in writing in advance, or this Agreement is early terminated according to Article 9.1 hereof. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless the WFOE notifies the other Parties thirty (30) days in advance that this Agreement will not be renewed.
- 6.2 Where the business period of the Company or the WFOE expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of the Company or the WFOE expires.
- 6.3 If the Existing Shareholders transfer their whole equity in the Company upon prior consent of the WFOE, or no longer hold any equity in the Company after reduction of the Company's capital, they will no longer be Parties to this Agreement (subject, however, to Articles 4, 5.1, 6, 7, 8, 9, and 10) and this Agreement shall terminate when the Existing Shareholders have completed relevant obligations of assistance hereunder, all required documents have been properly signed, and relevant internal corporate procedure of the Company and the approval, registration, filing and other procedure of the government have been completed.

## 7. Notice

- 7.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 7.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## 8. Confidentiality Obligations

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement ("**Confidential Information**") regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.

- 8.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the termination of this Agreement.

## 9. Liabilities for Breach of Contract

- 9.1 The Parties agree and acknowledge that if either Party ("**Breaching Party**") materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement ("**Breach**"), and each of the other Parties ("**Non-breaching Parties**") has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholders or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
  - (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 9.1, the Company and the Existing Shareholders further acknowledge and agree that their breach of Article 5 hereof will constitute a material breach of this Agreement.

- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.

## 10. Miscellaneous

- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 10.3 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.

- (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 10.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 10.9 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Power of Attorney entered into by the Parties on May 28, 2018 and the Supplementary Agreement on April 20, 2021. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 10.10.

- 10.10 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.
- 10.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholders warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholders and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**He Xiaopeng**

Signature: /s/ He Xiaopeng



**Xia Heng**

Signature: /s/ Xia Heng

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. on September 10, 2021 and issued to \_\_\_\_\_ (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers of mine, as a shareholder of Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on my behalf, including but not limited to nominating and appointing directors of the Company and other officers to be appointed and removed by shareholders;
- (2) Exercising, as my agent, other shareholder’s voting powers specified in the articles of association of the Company (including any other shareholder’s voting powers specified in amended the articles of association of the Company); and
- (3) When I transfer my equity in the Company, agree to the transfer of the Company’s assets, reduce my capital contribution to the Company, or accept the additional capital contribution by the Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (“**WFOE**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as my agent, relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders’ decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase.

I hereby irrevocably acknowledge that unless the WFOE issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between the WFOE, the Company and the Existing Shareholders on September 10, 2021 expires or terminates early.

[No text below.]

The Principal: He Xiaopeng

Signature: /s/ He Xiaopeng

Date: September 10, 2021

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. on September 10, 2021 and issued to \_\_\_\_\_ (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers of mine, as a shareholder of Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on my behalf, including but not limited to nominating and appointing directors of the Company and other officers to be appointed and removed by shareholders;
- (2) Exercising, as my agent, other shareholder’s voting powers specified in the articles of association of the Company (including any other shareholder’s voting powers specified in amended the articles of association of the Company); and
- (3) When I transfer my equity in the Company, agree to the transfer of the Company’s assets, reduce my capital contribution to the Company, or accept the additional capital contribution by the Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (“**WFOE**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as my agent, relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders’ decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase.

I hereby irrevocably acknowledge that unless the WFOE issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between the WFOE, the Company and the Existing Shareholders on September 10, 2021 expires or terminates early.

[No text below.]

The Principal: Xia Heng

Signature: /s/ Xia Heng

Date: September 10, 2021

**Loan Agreement**

**Between**

**He Xiaopeng, Xia Heng**

**And**

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.**

**September 10, 2021**

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## Loan Agreement

This loan agreement (“**Agreement**”) is made by the following parties on September 10, 2021 (“**Execution Date**”):

1. He Xiaopeng (ID No.: 440203197711032118) and Xia Heng (ID No.: 431224198311070057) (“**Borrowers**”);  
Contact address: Room 102, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou
2. Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (“**Lender**”).  
Registered address: Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (voluntary declaration)  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Parties entered into the Loan Agreement (hereinafter referred to as the “Original Loan Agreement”) on May 28, 2018, and the Supplementary Agreement on Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. on April 20, 2021 to make appropriate amendments to the relevant clauses of the Original Loan Agreement.
2. On September 10, 2021, the Lender and the Borrower entered into the Equity Transfer Contract on Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. regarding the transfer of 50% of equity of the Domestic-Funded Company held by the Borrower. Pursuant to the Contract, the Borrower transferred the original paid-in capital of RMB5,000,000 (SAY RMB FIVE MILLION ONLY) (50% of the registered capital of the Domestic-Funded Company) to the Lender at the transfer consideration of RMB5,000,000 (SAY RMB FIVE MILLION ONLY). The Lender agrees to pay the above equity transfer consideration to the Borrower before December 31, 2021, and the Borrower will immediately repay the loan provided by the Lender under the Original Loan Agreement after receiving the above equity transfer consideration. On the execution date of this Agreement, the Borrower’s capital contribution in the registered capital of the Domestic-Funded Company is RMB5,000,000, accounting for 50% of the shares; the Lender’s capital contribution in the registered capital of the Domestic-Funded Company is RMB5,000,000, accounting for 50% of the shares.
3. The Borrower obtained a loan (as defined below) from the Lender in accordance with the terms and conditions of this Agreement for use in its business activities.
4. The Lender intends to provide the Loan to the Borrowers according to the terms and conditions of this Agreement.

The Parties agree as follows to specify their rights and obligations under the Loan arrangement:

1. **Definitions**

1.1 In this Agreement:

<b>“Domestic Company”</b>	Means Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., a limited liability company established in China.
<b>“Loan”</b>	Means the loan provided by the Lender to the Borrowers under Article 2.1 hereof in one lump sum or in installments, the principal of which amounts to RMB five million (RMB5,000,000.00).
<b>“Loan Term”</b>	Has the meaning set forth in Article 4.1 hereof.
<b>“Outstanding Amount”</b>	Means the amount under the Loan that has not been repaid by the Borrowers.
<b>“Repayment Notice”</b>	Has the meaning set forth in Article 4.2 hereof.
<b>“China”</b>	Means the People’s Republic of China, for purpose hereof, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 6.1 hereof.
<b>“Prohibited Transactions”</b>	Has the meaning set forth in Article 7.1 hereof.
<b>“Prohibited Documents”</b>	Has the meaning set forth in Article 7.1 hereof.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 10.5 hereof.

1.2 The terms used in this Agreement have the following meanings:

**“Articles”** means the articles of this Agreement, unless the context requires otherwise;

**“Taxes”** shall be interpreted to include any taxes, costs, duties or other charges of the same nature (including but not limited to any penalty or interest on any unpaid or delayed taxes); and

**“Borrowers”** and **“Lender”** shall be interpreted to include their respective successors and assigns.

1.3 Unless the context requires otherwise, any reference to this Agreement or any other agreement or document shall be interpreted to include any amendment, modification, replacement or supplement to this Agreement and other agreement or document that have already made or may be made from time to time.

2. **Loan**

2.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide the Loan in the principal of RMB five million (RMB5,000,000.00) to the Borrowers.

The Borrowers may only use the Loan for its operation activities approved by the Lender.

Without the prior written consent of the Lender, the Borrowers shall not use part or all of the Loan for any other purpose.

2.2 For avoidance of doubt, the Parties acknowledge that the Lender and/or any third party designated by the Lender has already provided the Loan to the Borrowers in the full amount set forth under Article 2.1.

2.3 The Parties acknowledge that the Borrowers shall perform the repayment obligation and other obligations hereunder to the Lender according to the provisions of this Agreement.

2.4 The Borrowers have entered into the equity interest pledge agreement with the Lender on the Execution Date according to the requirement of the Lender, and created a pledge in favor of the Lender over their whole equity in the Domestic Company as the security for performance of the Borrowers’ obligations hereunder (including but not limited to repaying the Outstanding Amount according to the provisions hereof).



### 3. Interest

- 3.1 The Lender acknowledges that the interest on the Loan will be settled on a calendar year basis (in case of less than one year, settled based on the result of the actual number of days / 365 days), and at the Shanghai Interbank Offered Rate, provided that the Borrowers do not breach this Agreement.

### 4. Repayment

- 4.1 This Agreement is formed when both Parties formally sign it, and, once formed, shall become effective retrospectively from September 10, 2021 (“**Effective Date**”). The loan term hereunder shall start from the Effective Date, and end on the earliest of the following: (i) twenty (20) years after the Execution Date; (ii) the date when the Lender’s business term expires; or (iii) the date when the Domestic Company’s business term expires (“**Loan Term**”). When the Loan Term expires, unless the Parties agree through negotiation to renew the Loan, the Borrowers shall repay the whole Outstanding Amount in one lump sum on the date when the Loan Term expires. In such case, subject to applicable laws and regulations, the Lender may accept payment of the Transfer Price of the Option Equity (as defined in the Exclusive Option Agreement) by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties.
- 4.2 During the Loan Term, the Lender may decide in its absolute sole discretion to accelerate the Loan at any time, and issue a repayment notice (“**Repayment Notice**”) to any Borrower ten (10) days in advance, requesting the Borrower to repay the Outstanding Amount in whole or in part according to the provisions of this Agreement.

In the event that the Lender requests the Borrowers to repay the Outstanding Amount according to the above paragraph, subject to the applicable laws and regulations, the Lender may accept payment of the Transfer Price of the designated equity by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties on the Execution Date. The ratio of the equity to be purchased to the equity held by the Lender on the date when it completes the subscription of the registered capital of the Domestic Company, shall be the ratio of the part of the Outstanding Amount required to be repaid in the Repayment Notice to the total Loan amount borrowed by the Borrowers according to this Agreement.

Notwithstanding the above provisions, the Loan will become due and payable immediately if:

- (a) the Domestic Company is dissolved and goes into liquidation, or the Domestic Company goes into bankruptcy;
  - (b) the Borrowers are no longer the shareholders of the Domestic Company;
  - (c) part or whole of the equity held by the Borrowers in the Domestic Company is transferred to any individual or entity other than the Lender and/or its designated individual or entity due to any applicable law, or the decision or award of any court or arbitrator (including but not limited to due to repayment of any debt) (“**Involuntary Equity Transfer**”);
  - (d) the Lender decides in its absolute sole discretion that any Involuntary Equity Transfer may occur.
- 4.3 The Parties agree and acknowledge that the Borrowers shall repay the corresponding Outstanding Amount in cash (or in other form specified in the resolution properly passed by the board of directors of the Lender).

- 4.4 When the Borrowers repay the Outstanding Amount according to this Article 4, if the Lender elects to purchase the equity in the Domestic Company according to Article 4.1 or Article 4.2, the Parties shall complete the equity transfer simultaneously, and ensure that the Lender or any third party designated by the Lender has accepts transfer of the corresponding equity in the Domestic Company free of any pledge or other forms of encumbrances legally and wholly in accordance with the above provisions at the same time of repayment of the Outstanding Amount. When the transfer of equity in the Domestic Company is carried out according to the above provisions, the Borrowers shall provide all reasonable cooperation and waive any right of first refusal they have.
- 4.5 The Borrowers will not assume any repayment obligation hereunder when they transfer their whole equity in the Domestic Company to the Lender or any third party designated by the Lender and fully repay the Outstanding Amount according to Article 4 hereof.
- 5. Taxes**
- 5.1 The taxes relating to the Loan shall be borne by the Parties respectively according to law.
- 6. Confidentiality Obligations**
- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.
- 7. Undertakings and Warranties**
- 7.1 The Borrowers hereby undertake and warrant that without prior written consent of the Lender, they will not make or authorize others (including but not limited to the directors of the Domestic Company they nominate) to make any resolution, instruction, consent or order, agreeing, authorizing or procuring the Domestic Company to carry out any transactions that will or may have material effect on the assets, rights, obligations or business of the Domestic Company (including its branches and/or subsidiaries) (“**Prohibited Transactions**”), including but not limited to:
- (a) Borrowing or incurring any debt from any third party (except the debt with a single amount of no more than RMB 100,000, or the debts with an aggregate amount of no more than RMB 100,000 within six (6) consecutive months, incurred during the normal course of business);

- (b) Providing any security in favor of any third party for its own debt, or providing any security for any third party;
- (c) Transferring any business, material asset, or actual or potential business opportunity to any third party;
- (d) Transferring or licensing to any third party any domain name, trademark or other intellectual property to which the Domestic Company holds legal title, or disposing of the material asset of the Domestic Company in other forms;
- (e) Transferring to any third party part or all of their equity in the Domestic Company; or
- (f) Other major transactions;

or enter into any agreement, contract, memorandum or other forms of transaction documents on the Prohibited Transactions (“**Prohibited Documents**”), nor permit, through action or inaction, the making of any Prohibited Transactions or signing of any Prohibited Documents.

- 7.2 The Borrowers will procure the directors and officers of the Domestic Company to strictly comply with the provisions hereof when they perform their duties in the capacity of directors or officers of the Domestic Company, and will not take any action or inaction in contradiction with the above undertaking.
- 7.3 The Borrowers will immediately, without any delay, notify the Lender of any circumstance that the equity held by them in the Domestic Company may be transferred to any third party other than the Lender or the individual or entity designated by the Lender due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

## **8. Notice**

- 8.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 8.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **9. Liabilities for Breach of Contract**

- 9.1 The Borrowers irrevocably undertake that if the Lender suffers or incurs any action, charge, claim, cost, damage, request, expense, liability, loss or proceeding due to their breach of any obligation hereunder, they shall be liable for corresponding damages to the Lender. The Borrowers further acknowledge and agree that their breach of Article 7 hereof shall constitute a material breach of this Agreement.
- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.

## **10. Miscellaneous**

- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Lender.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 10.3 Dispute Resolution

- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 10.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.

- 10.9 This Agreement shall supersede all oral or written agreements, understandings and communications concluded by the Parties with respect to the subject matter of this Agreement, including the Original Loan Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Lender transfers its rights hereunder according to Article 10.10.
- 10.10 Without prior written consent of the Lender, the Borrowers shall not transfer their right and/or obligation hereunder to any third party. Upon notice to the other Parties, the Lender has the right to transfer any right hereunder to any third party designated by it.
- 10.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Borrowers warrant to the Lender that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, liquidators, administrators, creditors and other persons who may obtain the equity in the Domestic Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Borrowers shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Lender.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**He Xiaopeng**

Signature: /s/ He Xiaopeng

**Xia Heng**

Signature: /s/ Xia Heng

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng



**Exclusive Service Agreement**

**Between**

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.**

**September 10, 2021**

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## Exclusive Service Agreement

This exclusive service agreement (“**Agreement**”) is made by the following parties on September 10, 2021:

1. Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Party A**”).
2. Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Party B**”).

(Each of Party A and Party B is hereinafter referred to collectively as the “**Parties**” and individually as a “**Party**”).

### Recitals:

Whereas, Party A is a limited liability company established in Guangzhou and validly existing according to law, the business scope of which is “computer technology development, technical services; car leasing; computer technology transfer services; road cargo transportation agency; logistics agency services; software wholesale; software retail; software development; software services; software testing services; software technology promotion services; data processing and storage services; design of data processing and storage product; corporate management services (except for the business projects subject to license); corporate management consulting services; marketing planning services; conference and exhibition services; advertising industry; online goods sales (except the goods subject to license and approval); online goods retail (except the goods subject to license and approval); computer network system engineering services; network technology research and development; network information technology promotion services; network security information consultation; IT consulting services; goods information consulting services; technical research and development of vehicle engineering; road freight transportation; online car-hailing transportation; value-added telecommunications services (the service types shall be subject to the contents specified in the Value-added Telecommunications Business License);

Whereas, Party B is a limited liability company incorporated in Guangzhou and validly existing according to law, the business scope of which includes “import and export of technology; automobile rescue services; acting as an agent for annual inspection and transfer of automobiles; acting as an agent for procedures of paying fines for vehicle violations and vehicle and vessel tax; computer retail; retail of computer spare parts; information technology consulting service; commodity information consulting service; wholesale trade of commodities (except for commodities subject to licensing); retail trade of commodities (except for commodities subject to licensing); ticketing service; enterprise financial consulting service; wholesale of auto parts; retail of auto parts; wholesale of electronic devices and components; retail of electronic devices and components; wholesale of electronic products; scientific and technological information consulting service; wholesale of computers; wholesale of computer spare parts; retail of electronic products; intelligent installation engineering service; software wholesale; software retail; software development; software service; software testing service; software technology promotion service; data processing and storage services; data transaction service; design of data processing and storage products; enterprise management services (except for those subject to licensing); enterprise management consulting service; marketing planning service; conference and exhibition services; advertising; online sale of commodities (except for commodities subject to licensing); online retail of commodities (except for commodities subject to licensing); computer network system engineering service; research and development of network technology; network security information consultation; intelligent machine system technical service; engineering installation service of radar, navigation and measurement and control system; communication equipment retail; import and export of goods (except for goods under exclusive control); network information technology promotion service; road freight transportation agency; computer technology development and technical service; car rental; computer technology transfer service; logistics agency service; business consulting service; auto spare parts design service; automobile maintenance tool design service; technical research and development of vehicle engineering; new material technology transfer service; energy-saving technology transfer service; automobile sales; automobile retail; sales of vehicle charging modules; sales of used vehicles; sales of charging piles; online car-hailing transportation; and road freight transportation”;

Whereas, Party A needs Party B to provide the services related to Party A's Business (as defined below) and Party B agrees to provide such services to Party A.

Now, **therefore**, the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

1.1 The following terms used in this Agreement have the meanings below, unless this Agreement stipulates otherwise or the context requires otherwise:

**“Party A’s Business”** Means the business activities conducted and developed by Party A at the present or at any time during the term of this Agreement.

**“Services”** Means the services provided by Party B within its business scope to Party A exclusively with respect to Party A's Business, including but not limited to:  
import and export of technology; automobile rescue services; acting as an agent for annual inspection and transfer of automobiles; acting as an agent for procedures of paying fines for vehicle violations and vehicle and vessel tax; computer retail; retail of computer spare parts; information technology consulting service; commodity information consulting service; wholesale trade of commodities (except for commodities subject to licensing); retail trade of commodities (except for commodities subject to licensing); ticketing service; enterprise financial consulting service; wholesale of auto parts; retail of auto parts; wholesale of electronic devices and components; retail of electronic devices and components; wholesale of electronic products; scientific and technological information consulting service; wholesale of computers; wholesale of computer spare parts; retail of electronic products; intelligent installation engineering service; software wholesale; software retail; software development; software service; software testing service; software technology promotion service; data processing and storage services; data transaction service; design of data processing and storage products; enterprise management services (except for those subject to licensing); enterprise management consulting service; marketing planning service; conference and exhibition services; advertising; online sale of commodities (except for commodities subject to licensing); online retail of commodities (except for commodities subject to licensing); computer network system engineering service; research and development of network technology; network security information consultation; intelligent machine system technical service; engineering installation service of radar, navigation and measurement and control system; communication equipment retail; import and export of goods (except for goods under exclusive control); network information technology promotion service; road freight transportation agency; computer technology development and technical service; car rental; computer technology transfer service; logistics agency service; business consulting service; auto spare parts design service; automobile maintenance tool design service; technical research and development of vehicle engineering; new material technology transfer service; energy-saving technology transfer service; automobile sales; automobile retail; sales of vehicle charging modules; sales of used vehicles; sales of charging piles; online car-hailing transportation; and road freight transportation.

<b>“Annual Business Plan”</b>	Means the business development plan and budget report of Party A for the next calendar year prepared by Party A with the assistance of Party B before November 30 of each year according to this Agreement.
<b>“Service Fee”</b>	Means all fees payable by Party A to Party B for the Services provided by Party B according to Article 3 hereof.
<b>“Business-related IP”</b>	Means any and all intellectual properties developed by Party A based on the Services provided by Party B hereunder with respect to Party A’s Business.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 6.1 hereof.
<b>“Breaching Party”</b>	Has the meaning set forth in Article 12.1 of this Agreement.
<b>“Breach”</b>	Has the meaning set forth in Article 12.1 of this Agreement.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 14.5 of this Agreement.

1.2 Any reference to any laws and regulations (“**Laws**”) shall be reference to:

- (a) those Laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
- (b) other decisions, notices and regulations prepared or effective under the Laws.

1.3 Unless the context indicates otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

**2. Services**

2.1 During the term of this Agreement, party A entrusts exclusively Party B to provide the Services, and Party B shall diligently provide Party A with the Services according to the needs of Party A’s Business. The Parties understand that Party B’s actual provision of Services is subject to Party B’s approved business scope. If the Service requested to be provided by Party A exceeds Party B’s approved business scope, Party B shall apply for expanding its business scope to the maximum extent permitted by Laws, and continue to provide relevant Service after the expansion of its business scope is approved.

2.2 Party B shall communicate and exchange relevant information of Party A’s Business with Party A, to provide the Services hereunder.

2.3 Notwithstanding any other provisions hereof, Party B has the right to designate any third party to provide the Services hereunder in whole or in part, or delegate the third party to perform its obligations hereunder. Party A hereby agrees that Party B has the right to transfer its rights and obligations hereunder to any third party.

### **3. Service Fee**

- 3.1 In respect of the Services provided by Party B according to this Agreement, Party A shall pay the Service Fee to Party B according to the following provisions:
- 3.1.1 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B on an annual basis for the Services provided by Party B to Party A in each calendar year of the term of this Agreement.
- 3.1.2 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B separately for the specific Services provided by Party B to Party A from time to time at the request of Party A.
- 3.2 Party B shall promptly issue payment notice and special VAT invoice to Party A and settle annually. Party A shall pay Party B the above Service Fee (tax inclusive) within one month after receiving the invoice.
- 3.3 The Parties agree that to extent that the scope of Service and the amount of the Service Fee specified in Article 3.1 and Article 3.2 do not violate any mandatory provisions of laws and regulations, the Parties shall determine and adjust according to the proposal made by Party B from time to time. Party A shall not reject Party B's proposal without any reasonable cause.
- 3.4 The Parties shall assume their respective taxes and obligations of withholding (if any) according to the applicable laws.

### **4. Obligations of Party A**

- 4.1 Party B's services hereunder are exclusive. During the term of this Agreement, without the prior written consent of Party B, Party A shall not enter into any agreement with any other third party or accept from such third party any other service same as or similar to the services provided by Party B.
- 4.2 Party A shall provide Party B with its definitive Annual Business Plan for the next year before November 30 of each year so that Party B may prepare corresponding service plan and arrange the required manpower and service capacity. If Party A needs any manpower to be arranged by Party B temporarily, it shall negotiate with Party B fifteen (15) days in advance to reach an agreement.
- 4.3 To facilitate the provision of the Services by Party B, at the request of Party B, Party A shall provide Party B with the information required by Party B.
- 4.4 Party A shall pay the Service Fee to Party B promptly and fully according to the provisions of Article 3 hereof.
- 4.5 Party A shall maintain its own good reputation, actively expand its business, and strive to maximize its revenue.
- 4.6 During the term of this Agreement, Party A agrees to cooperate with Party B and Party B's parent company (whether direct or indirect) to carry out audits on related-party transactions or other issues and provide relevant information and material relating to Party A's operation, business, client, finance, employee, etc. to Party B and Party B's parent company or the auditor appointed by Party B, and agrees that Party B's parent company may disclose such information or material to meet the requirements of the regulators in the place where the securities of Party B's parent company are listed.

## 5. Intellectual Property Rights

- 5.1 The intellectual property rights held originally or obtained during the term of this Agreement by Party B, including the intellectual property rights to the work achievement created during the provision of the Services, shall be owned by Party B.
- 5.2 Since Party A's Business is dependent on the Services to be provided by Party B hereunder, in respect of the intellectual property rights to the business developed by Party A based on the Services, Party A agrees that:
- (1) if the intellectual property rights to such business are obtained by Party A upon the entrustment of Party B or through the cooperation between Party A and Party B, the ownership and the application right related to relevant intellectual property rights shall be vested in Party B.
  - (2) if relevant intellectual property rights to the business are developed and obtained by Party A independently, the ownership shall be vested in Party A, provided that (A) Party A promptly notifies Party B of the details of such intellectual property rights and provides relevant information reasonably requested by Party B; (B) if Party A intends to license or transfer relevant intellectual property rights to the business, Party A shall first transfer such intellectual property rights to Party B or grant an exclusive license to Party B on such intellectual property rights subject to the mandatory provisions of the laws of China, and Party B may use such intellectual property rights to the extent of the transfer or license (however, Party B has the right to decide whether to accept such transfer or license); Party A can transfer or license such intellectual property rights to any third party only when Party B waives the priority to purchase such intellectual property rights or waives the exclusive license on the conditions not more favorable than those offered to Party B (including but not limited to the transfer price or license royalty), and shall ensure that the third party will fully comply with and perform the obligations of Party A hereunder; (C) except the circumstance specified in the above Item (B), during the term of this Agreement, Party B has the right to purchase relevant intellectual property rights to the business; then Party A shall agree to such purchase subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China.
- 5.3 If Party B is granted the exclusive license to use relevant intellectual property rights to the abovementioned business according to Paragraph (2) of Article 5.2 hereof, the following provisions shall apply:
- (1) The license period shall be no less than five (5) years (starting from the effective date of relevant license agreement);
  - (2) The scope of right under the license shall be as large as possible;
  - (3) During the license period and within the license scope, no other party (including Party A) other than Party B may use or permit others to use such intellectual property rights in whatever forms;
  - (4) Without prejudice to the conditions under Paragraph (3) of Article 5.3, Party A has the right to decide in its sole discretion to authorize any other third party to use such intellectual property rights;
  - (5) When the license period expires, Party B has the right to renew the license agreement and Party A shall agree to such renewal. The original terms of the license agreement shall be maintained, except the changes approved by Party B.
- 5.4 Notwithstanding the provisions of Paragraph (2) of Article 5.2, if relevant intellectual property rights to the business specified in that paragraph can be established only when they are registered according to applicable law, the application for registration shall be carried out according to the following provisions:
- (1) If Party A intends to apply for the registration of the above intellectual property rights, it shall obtain the prior written consent of Party B.

- (2) Party A may apply for the registration or transfer the application right to any third party only when Party B waives the right to purchase the right to apply for registration of relevant intellectual property rights to the business. Where Party A transfers the above application right to any third party, Party A shall ensure the third party to fully comply with and perform its obligations hereunder. Meanwhile, the conditions on which Party A transfers the application right to the third party (including but not limited the transfer price) shall not be more favorable than the conditions it offers to Party B under Paragraph (3) of Article 5.4.
- (3) During the term of this Agreement, Party B may request at any time Party A to apply for registration of relevant intellectual property rights to the business, and decide in its sole discretion whether to purchase the above application right. At the request of Party B, Party A shall transfer the application right to Party B subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China. Party B shall become the legal owner of relevant intellectual property rights to the business after it obtains the application right and then applies for and completes the registration of such intellectual property rights.
- 5.5 Each Party undertakes to indemnify the other Party any and all economic losses incurred by the other Party due to the first Party's infringement of other's intellectual property rights (including copyright, trademark, patent, and know-how).

## **6. Confidentiality Obligations**

- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement ("**Confidential Information**") regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.

## **7. Representations and Warranties of Party A**

Party A hereby represents and warrants to Party B that

- 7.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- 7.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.
- 7.3 it shall promptly notify Party B of any circumstance that has or may have material adverse effect on Party A's Business and operation, and use its best effort to prevent the occurrence of such circumstance and/or expansion of loss.
- 7.4 it shall not dispose of any of its material assets in whatever form or change its existing shareholding structure, without the written consent of Party B.
- 7.5 it holds all the business licenses and certificates required for its operation when this Agreement becomes effective, and has full right and qualification to operate Party A's Business currently conducted by it in China.
- 7.6 At the written request of Party B, it shall use all of its current accounts receivable and/or other assets it legally owns and may dispose of as the security for the payment of the Service Fee specified in Article 3 hereof.
- 7.7 it shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.
- 7.8 it shall not enter into any other agreement or arrangement that contradicts to this Agreement or may damage Party B's interest hereunder, without the written consent of Party B.

## **8. Representations and Warranties of Party B**

Party B hereby represents and warrants to Party A that

- 8.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 8.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.

## **9. Term of Agreement**

- 9.1 This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 10, 2021. This Agreement shall be valid for twenty (20) years, unless this Agreement expressly provides otherwise or the Parties terminate it by written notice. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless Party B notifies Party A thirty (30) days in advance that this Agreement will not be renewed.
- 9.2 Where the business period of Party A or Party B expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of Party A or Party B expires. The Parties shall complete the approval or registration formalities on extension of their respective business period three (3) months before expiration of their respective business period to renew the term of this Agreement.



9.3 The Parties shall continue to perform the obligations under Article 6 hereof when and after this Agreement terminates.

## 10. Indemnification

Party A shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.

## 11. Notice

11.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.

11.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## 12. Liabilities for Breach of Contract

12.1 The Parties agree and acknowledge that if either Party ("**Breaching Party**") materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement ("**Breach**"), and the other Party has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the other Party gives a written notice requesting correction, and if the Breaching Party is Party A, then Party B has the right to (1) terminate this Agreement and request the Breaching Party to compensate all damages; or (2) request the enforcement of the Breaching Party's obligations hereunder and request the Breaching Party to compensate all damages; if the Breaching Party is Party B, then Party A has the right to request the Breaching Party to continue to perform its obligations hereunder and to compensate all damages.

12.2 Notwithstanding any provisions of Article 12.1 hereof, the Parties agree and acknowledge that Party A shall not request to terminate this Agreement on whatever grounds and in whatever circumstances, unless the law or this Agreement provides otherwise.

12.3 Notwithstanding any other provisions hereof, this Article 12 shall survive the suspension or termination of this Agreement.

## 13. Force Majeure

Where either Party's performance of this Agreement is directly affected by or either Party is unable to perform this Agreement according to the provisions hereof due to any earthquakes, typhoons, floods, fires, wars, computer viruses, tool software design vulnerabilities, hacker attacks on the Internet, changes in policies or laws, and other force majeure events that are unforeseeable and the consequence of which are unpredictable or unavoidable, the affected Party shall immediately notify the other Party by fax, and within thirty (30) days, provide the details of the force majeure event and the certificate issued by a notary in the place of the force majeure event to prove that this Agreement is unable to perform or its performance needs to be postponed. The Parties shall negotiate to decide whether to waive part performance of this Agreement or to delay the performance based on the effect of the force majeure event on the performance of this Agreement. Neither Party shall be liable for any economic loss of the other Party caused by the force majeure event.

#### 14. Miscellaneous

- 14.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with Party A holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by Party B.
- 14.2 The conclusion, validity, performance, modification, interpretation and dispute resolution of this Agreement shall be governed by the laws of China.
- 14.3 Dispute Resolution
- 14.3.1 Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
- 14.3.2 During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
- 14.3.3 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
- 14.3.4 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
- 14.3.5 After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
- 14.3.6 The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 14.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.

- 14.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 14.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 14.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 14.9 Upon execution, this Agreement will replace any other legal documents previously executed by the Parties on the same subject matter, including the Exclusive Service Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that Party B transfers its rights hereunder according to Article 14.10.
- 14.10 Without prior written consent of Party B, Party A shall not transfer its right and/or obligation hereunder to any third party. Party A agrees that without its written consent, Party B has the right to transfer unilaterally any right and/or obligation hereunder to any third party, provided that a written notice shall be given to Party A.
- 14.11 This Agreement shall bind and inure to the benefit of the legal assigns, successors and creditors of the Parties and other entities that may obtain the equity interest or relevant rights in the Parties.
- 14.12 The Parties undertake to declare and pay their respective taxes relating to the transaction contemplated hereunder according to law.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Exclusive Option Agreement**

**Between**

**He Xiaopeng, Xia Heng**

**And**

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.**

**And**

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**In relation to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.**

**September 10, 2021**

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## Exclusive Option Agreement

This exclusive option agreement (“**Agreement**”) is made by the following parties on September 10, 2021 (“**Execution Date**”):

1. He Xiaopeng (ID No.: 440203197711032118) and Xia Heng (ID No.: 431224198311070057) (“**Existing Shareholders**”);  
Contact address: Room 102, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou
2. Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**Company**”).
3. Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd., with its registered address at Room 101, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou, and its legal representative being Xia Heng (“**WFOE**”).

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Parties entered into the Exclusive Option Agreement (hereinafter referred to as the “Original Exclusive Option Agreement”) on May 28, 2018, and the Supplementary Agreement on Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. on April 20, 2021 making appropriate amendments to the relevant clauses of the Original Exclusive Option Agreement.
2. On September 10, 2021, the WFOE and the Existing Shareholders entered into the Equity Transfer Contract on Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. regarding the transfer of 50% of the Company’s equity held by the Existing Shareholders. Pursuant to this Contract, the Existing Shareholders transferred the original paid-in capital contribution of RMB5,000,000 (SAY RMB FIVE MILLION ONLY) (accounting for 50% of the Company’s registered capital) to the WFOE at the transfer consideration of RMB5,000,000 (SAY RMB FIVE MILLION ONLY). The WFOE agrees to pay the above equity transfer consideration to the Existing Shareholders before December 31, 2021. According to the Original Exclusive Option Agreement, the Existing Shareholders will immediately repay the loan provided by the WFOE under the Original Loan Agreement after receiving the above equity transfer consideration.
3. On the execution date of this Agreement, the Existing Shareholders and the WFOE are registered shareholders of the Company and hold all the shares of the Company according to law. On the execution date of this Agreement, the capital contribution of the Existing Shareholder in the registered capital of the Company is RMB5 million, accounting for 50% of the shares; the capital contribution of the WFOE in the registered capital of the Company is RMB5 million, accounting for 50% of the shares. The basic information of the Company is shown in Exhibit 1.
4. Subject to the current PRC Laws, the Existing Shareholders are willing to transfer their entire equity interest in the Company to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.
5. Subject to the current PRC Laws, the Company is willing to transfer its assets to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.

6. Subject to the current PRC Laws, the Company and the Existing Shareholders intend that the capital of the Company will be reduced and then increased by the WFOE or its designated entity and/or individual, and the WFOE is willing to subscribe for such additional capital by itself or by its designated entity and/or individual.
7. In order to effect the above transfer of equity interest and assets, the Existing Shareholders and the Company agree to grant to the WFOE the exclusive and irrevocable Equity Transfer Option and Asset Purchase Option. According to the Equity Transfer Option and Asset Purchase Option, subject to the PRC Laws, the Existing Shareholders or the Company, shall at the request of the WFOE transfer the Option Equity or the Assets (as defined below) to the WFOE and/or its designated entity and/or individual according to the provision hereof. In order to effect the above capital reduction of the Company and the capital increase by the WFOE to the Company, the Existing Shareholders and the Company agree to grant to the WFOE an irrevocable Capital Increase Option. According to the Capital Increase Option, subject to the PRC Laws, the Company shall reduce its capital at the request of the WFOE, and then the WFOE and/or its designated entity and/or individual will subscribe for the Capital Increase Equity (as defined below).
8. The Company agrees that the Existing Shareholders will grant to the WFOE the Equity Transfer Option (as defined below) according to this Agreement.
9. The Existing Shareholders agree that the Company will grant to the WFOE the Asset Purchase Option (as defined below) according to this Agreement.
10. The Company and the Existing Shareholders agree to grant to the WFOE the Capital Increase Option (as defined below) according to this Agreement.

**Now, therefore,** the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

- 1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

<b>“PRC Laws”</b>	Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.
<b>“Equity Transfer Option”</b>	Means the option granted by the Existing Shareholders to the WFOE according to the terms and conditions hereof to purchase the equity interest of the Company.
<b>“Asset Purchase Option”</b>	Means the option granted by the Company to the WFOE according to the terms and conditions hereof to purchase any asset of the Company.
<b>“Capital Increase Option”</b>	Means the option granted by the Company and the Existing Shareholder to the WFOE according to the terms and conditions hereof to request the Company to reduce its capital (part or all of the Option Equity (as defined below)), and to allow the WFOE and/or its designated entity and/or individual to purchase the newly increased registered capital of the Company.
<b>“Option Equity”</b>	Means the entire equity interest held by the Existing Shareholders in the Registered Capital (as defined below) of the Company, which accounts for 100% of the Registered Capital.



<b>“Registered Capital”</b>	Means the registered capital of the Company of RMB ten million (RMB10,000,000) as of the Execution Date, as may be expanded by any capital increase in whatever form during the term of this Agreement.
<b>“Transfer Equity”</b>	Means the equity interest which the WFOE has the right to request the Existing Shareholders to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Equity Transfer Option according to Article 3 hereof, the number of which may be part or all of the Option Equity and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Transfer Assets”</b>	Means the assets of the Company which the WFOE has the right to request the Company to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Asset Purchase Option according to Article 3 hereof, which may be part or all of the assets of the Company and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Capital Increase Equity”</b>	Means the newly increased Registered Capital which the WFOE and/or its designated entity and/or individual have the right to subscribe for after the reduction of capital of the Company when the WFOE exercises the Capital Increase Option according to Article 3 hereof, the number of which will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Exercise”</b>	Means the WFOE exercises the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option.
<b>“Transfer Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholders or the Company for acquisition of the Transfer Equity or the Transfer Assets at each Exercise.
<b>“Capital Reduction Price”</b>	Means the entire consideration payable by the Company to the Existing Shareholders for reduction of the Registered Capital at each Exercise of the WFOE.
<b>“Capital Increase Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Company for subscription of the Capital Increase Equity at each Exercise.
<b>“Business Licenses”</b>	Means any approvals, permits, filings, registrations, etc. the Company must hold for legally and validly operating its business, including but not limited to the Business License of Enterprise Legal Person and other relevant permits and certificates that may be required by the current PRC Laws.
<b>“Assets”</b>	Means all tangible and intangible assets that are owned or can be disposed of by the Company during the term of this Agreement, including but not limited to any real property, personal property, trademark, copyright, patent, know-how, domain name, software use right and other intellectual property rights.

<b>“Material Agreements”</b>	Means any agreements to which the Company is a party and which have material effect on the business or assets of the Company, including but not limited to the Exclusive Service Agreement and other material agreements relating to the business of the Company.
<b>“Exercise Notice”</b>	Has the meaning set forth in Article 3.9 of this Agreement.
<b>“Original Loan Agreement”</b>	Means the Loan Agreement dated May 28, 2018 between the Existing Shareholders and the WFOE.
<b>“Loan Agreement”</b>	Means the Loan Agreement dated September 10, 2021 between the Existing Shareholders and the WFOE.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 8.1 of this Agreement.
<b>“Breaching Party”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Breach”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Non-breaching Party ”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 12.5 of this Agreement.

1.2 Any reference to any PRC Laws shall be reference to:

- (a) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
- (b) other decisions, notices and regulations prepared or effective under the PRC Laws.

1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## 2. Grant of Equity Transfer Option, Asset Purchase Option and Capital Increase Option

2.1 The Existing Shareholders hereby agree to grant to the WFOE an irrevocable, unconditional and exclusive Equity Transfer Option, according to which the WFOE has the right to request the Existing Shareholders at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the Option Equity to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Equity Transfer Option.

2.2 The Company hereby agrees that the Existing Shareholders will grant to the WFOE the Equity Transfer Option according to the above Article 2.1 and other provisions hereof.

2.3 The Company hereby agrees to grant to the WFOE an irrevocable, unconditional and exclusive Asset Purchase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the part or all of the Assets to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Asset Purchase Option.

2.4 The Existing Shareholders hereby agree that the Company will grant to the WFOE the Asset Purchase Option according to the above Article 2.3 and other provisions hereof.

2.5 The Existing Shareholders and the Company hereby agree severally and jointly to grant to the WFOE an irrevocable, unconditional and exclusive Capital Increase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholders may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to reduce its capital, and, subject to the PRC Laws, the WFOE and/or its designated entity and/or individual have the right to subscribe for any Capital Increase Equity according to the terms and conditions hereof. The WFOE hereby agrees to accept the Capital Increase Option.

### **3. Way of Exercise**

- 3.1 Subject to the terms and conditions hereof and to the extent permitted by the PRC Laws, the WFOE has the absolute sole discretion to decide the time, way and number of its Exercise.
- 3.2 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the equity interest of the Company held by and from the Existing Shareholders to itself and/or its designated entity and/or individual.
- 3.3 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the Assets from the company to itself and/or its designated entity and/or individual.
- 3.4 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the Company to reduce its capital, and to subscribe for the Capital Increase Equity by itself and/or its designated entity and/or individual.
- 3.5 At each Exercise of the Equity Transfer Option, the WFOE has the right to determine the number of Transfer Equity that the Existing Shareholders shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Existing Shareholders shall transfer the Transfer Equity respectively to the WFOE and its designated entity and/or individual according to the number determined by the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Existing Shareholders for the Transfer Equity they receive in each Exercise.
- 3.6 At each Exercise of the Asset Purchase Option, the WFOE has the right to determine the specific Assets that the Company shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Company shall transfer the Assets to the WFOE and its designated entity and/or individual according to the determination of the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Company for the Transfer Assets they receive in each Exercise.
- 3.7 At each Exercise of the Capital Increase Option, the WFOE has the right to determine the number of capital that the Company shall reduce in the Exercise, and the WFOE has the right to request the Existing Shareholders to reduce their capital contribution to the Company. The Company and the Existing Shareholders shall reduce the capital of the Company according to the number determined by the WFOE. Moreover, the WFOE has the right to determine the number of Capital Increase Equity to be subscribed for by the WFOE and its designated entity and/or individual in each Exercise. The Company shall accept the subscription according to the requirements of the WFOE. The Company shall pay the Existing Shareholders the price for reduction of capital in each reduction of its Registered Capital. The WFOE and its designated entity and/or individual shall pay the Capital Increase Price to the Company for the Capital Increase Equity subscribed in each Exercise.
- 3.8 At each Exercise, the WFOE may accept transfer of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity, or may designate any third party to accept transfer of part or all of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity in part or in whole.

3.9 When the WFOE decides to exercise its option, it shall send to the Existing Shareholders and/or the Company the Equity Transfer Option Exercise Notice, the Asset Purchase Option Exercise Notice or the Capital Increase Option Exercise Notice (each a “**Exercise Notice**”, in the form of Exhibit 2, Exhibit 3 and Exhibit 4 hereto). After receiving an Exercise Notice, the Existing Shareholders or the Company shall transfer the Transfer Equity or the Transfer Assets wholly to the WFOE and/or its designated entity and/or individual immediately according to Article 3.5 or Article 3.6 hereof, or reduce the capital of the Company according to Article 3.7 hereof, and allow the WFOE and/or its designated entity and/or individual to subscribe for the Capital Increase Equity.

#### **4. Transfer Price, Capital Reduction Price, and Capital Increase Price**

- 4.1 At each Exercise of the Equity Transfer Option, the entire Transfer Price payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholders is the capital contribution amount actually paid in the Registered Capital corresponding to the Transfer Equity. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. The Existing Shareholders, after receiving the Transfer Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.2 At each Exercise of the Asset Purchase Option, the WFOE and/or its designated entity and/or individual shall pay the Company the book value of relevant Assets. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply.
- 4.3 At each Exercise of the Capital Increase Option, the Company shall pay the Capital Reduction Price to the Existing Shareholders who reduce his capital contribution to the Company, and the Capital Reduction Price is the capital contribution amount actually paid in the Registered Capital which is reduced. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. Moreover, the entire Subscription Price payable by the WFOE and/or its designated entity and/or individual for subscription of the Capital Increase Equity is the Capital Reduction Price paid by the Company to the Existing Shareholders at the time of capital reduction. The Existing Shareholders, after receiving the Capital Reduction Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.4 The taxes incurred due to Exercise of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder according to the applicable laws shall be borne and paid by the Parties respectively.

#### **5. Representations and Warranties**

- 5.1 The Existing Shareholders hereby represent and warrant that
- (a) The Existing Shareholders are natural persons of full capacity for civil acts according to the PRC Laws, have full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
  - (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
  - (c) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder.
  - (d) This Agreement constitutes their legal and binding obligations, and is enforceable against them according to the terms hereof.

- (e) The Existing Shareholders are the registered legal owner of the Option Equity when this Agreement becomes effective, and there is not any lien, pledge, claim, other security interest or third party's rights over the Option Equity, except for the Equity Transfer Option and the Capital Increase Option created hereunder, the pledge created under the Equity Interest Pledge Agreement dated September 10, 2021 between the Company, the WFOE and the Existing Shareholders, and the proxy created under the Power of Attorney dated September 10, 2021. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Transfer Equity free of any lien, pledge, claim, other security interest or third party's rights.
- (f) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created hereunder. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.

5.2 The Company hereby represents and warrants that

- (a) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- (c) This Agreement is legally and properly executed and delivered by the Company, and constitutes the legal and binding obligations of the Company.
- (d) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created under this Agreement. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.

5.3 The WFOE represents and warrants that

- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- (c) This Agreement is legally and properly executed and delivered by the WFOE, and constitutes its legal and binding obligations.

## **6. Undertakings of the Existing Shareholders**

The Existing Shareholders hereby irrevocably undertake as follows:

6.1 During the term of this Agreement, without the prior written consent of the WFOE, they will not:

- (a) transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity;
- (b) increase or reduce the Registered Capital, or procure the Company to merge with other entity;
- (c) dispose of, or procure the management of the Company to dispose of, any material Assets (except for those occurred in the ordinary course of business);

- (d) terminate, or procure the management of the Company to terminate, any Material Agreements signed by the Company, or enter into any other agreement conflicting with the existing Material Agreements;
  - (e) appoint, remove or replace any of the Company's directors, supervisors or other officers to be appointed and removed by the Existing Shareholders;
  - (f) procure the Company to declare or distribute any distributable profit, bonus or dividend;
  - (g) take any action or behavior (including inaction) to affect the valid existence of the Company, nor take any act that may cause the Company to terminate, liquidate or dissolve;
  - (h) amend the Company's articles of association; or
  - (i) take any action or behavior (including inaction) to have the Company provide or borrow any loan, or provide any guarantee or other forms of security, or assume any material obligation outside of the ordinary course of business.
- 6.2 During the term of this Agreement, they will use their best efforts to develop the Company's business and ensure the Company's operation in compliance with laws and regulations, and will not take any act or inaction that may damage the Company's Assets or goodwill or affect the validity of the Company's Business Licenses.
- 6.3 During the term of this Agreement, they will promptly notify the WFOE any circumstance that may have material adverse effect on the existence, business, operation, finance, assets or goodwill of the Company, and promptly take all measures approved by the WFOE to exclude such circumstances or take other valid remedial measures.
- 6.4 Once the WFOE issues the Exercise Notice, the Existing Shareholders will:
- (a) immediately agree, through shareholder's resolution or other necessary actions, to the transfer the whole Transfer Equity or Transfer Assets from the Existing Shareholders or the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of the Company's capital, and accept the subscription by the WFOE and/or its designated entity and/or individual of the Company's Capital Increase Equity, as the case may be;
  - (b) with respect to the Equity Transfer Option, immediately sign the equity transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Equity to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Equity and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Equity;
  - (c) with respect to the Capital Increase Option, immediately sign the capital reduction agreement with the Company in the form and substance satisfactory to the WFOE, and assist and cooperate with the Company to go through the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction of the Company and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.
- 6.5 If the Transfer Price from transfer of the Transfer Equity, or the Capital Reduction Price from the reduction of the Company's capital, and/or the distribution of the remaining property of the Company in case of the termination, liquidation or other circumstance of the Company, received by the Existing Shareholders, is higher than their capital contribution to the Company, or if they receive any forms of profit distribution, bonus or dividend from the Company, they agree and acknowledge that subject to the PRC Laws they will not enjoy the income of the premiums and any profit distribution, bonus or dividend (after deducting relevant taxes) and such income and profit distribution, bonus or dividend will be vested in the WFOE. The Existing Shareholders will instruct relevant receiving party or the Company to pay the income to the bank account designated by the WFOE.

- 6.6 They irrevocably agree to the execution and performance by the Company of this Agreement, and will assist the Company with the execution and performance of this Agreement, including but not limited to signing all necessary documents or the documents required by the WFOE and taking all necessary actions or the actions required by the WFOE, and will not take any action or inaction to prevent the WFOE from claiming and realizing any right hereunder.
- 6.7 They will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by them may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

## 7. Undertakings of the Company

7.1 The Company hereby irrevocably undertakes that

- (a) If the execution and performance of this Agreement and the grant of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to meet the above conditions.
- (b) Without prior written consent of the WFOE, it will not assist or permit the Existing Shareholders to transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity.
- (c) Without prior written consent of the WFOE, it will not transfer or otherwise dispose of any material Assets (except for the disposal occurred in the ordinary course of business) or create any security interest or other third party's right over the Assets.
- (d) It will not take or permit any action or behavior that may have adverse effect on the WFOE's interest hereunder, including but not limited to any action or behavior subject to Article 6.1.
- (e) It will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by any Existing Shareholder may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

7.2 Once the WFOE issues the Exercise Notice,

- (a) The Company shall procure the Existing Shareholders to agree, through shareholders' resolution or taking of other necessary actions, to the transfer of the whole Transfer Assets from the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of capital of the Company, and to allow the WFOE and/or its designated entity and/or individual to subscribe for the whole Capital Increase Equity at the Capital Increase Price, as the case may be;
- (b) with respect to the Asset Purchase Option, the Company will immediately sign the asset transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Assets to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Assets and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Assets.

- (c) with respect to the Capital Increase Option, the Company will immediately sign the capital reduction agreement with the Existing Shareholders in the form and substance satisfactory to the WFOE and the amended and restated articles of association (amendment to the articles of association of the Company), and the Company will go through, and the Existing Shareholders shall procure the Company to go through, the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.

## **8. Confidentiality Obligations**

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 8.2 The Parties acknowledge that the following information is not Confidential Information:
  - (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the suspension or termination of this Agreement.

## **9. Term of Agreement**

This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of September 10, 2021. Unless the WFOE requires otherwise, this Agreement will terminate when the whole Option Equity and Assets are transferred to the WFOE and/or its designated entity and/or individual according to the provisions hereof.

## **10. Notice**

- 10.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 10.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.



## 11. Liabilities for Breach of Contract

- 11.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any covenant hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and each of the other Parties (“**Non-breaching Parties**”) has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholders or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
  - (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 11.1, the Existing Shareholders further acknowledge and agree that their breach of Article 6 hereof will constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 7 hereof will constitute a material breach of this Agreement.

- 11.2 Notwithstanding any other provisions hereof, this Article 11 shall survive the suspension or termination of this Agreement.

## 12. Miscellaneous

- 12.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.
- 12.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 12.3 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party’s attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) he Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A’s business operation, restricting and/or disposing of Party A’s equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.

- (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article
- 12.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 12.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 12.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 12.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 12.8 If the Stock Exchange of Hong Kong Limited or other regulatory authorities propose any amendments to this Agreement, or if there are any changes related to this Agreement in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited or related requirements, the Parties shall amend this Agreement accordingly.
- 12.9 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter, including the Original Exclusive Option Agreement dated May 28, 2018 and the Supplementary Agreement dated April 20, 2021 between the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 12.10.
- 12.10 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.
- 12.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholders warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholders and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

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*[The remainder of this page is intentionally left blank. Signature page follows.]*

**He Xiaopeng**

Signature: /s/ He Xiaopeng

**Xia Heng**

Signature: /s/ Xia Heng

**Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature: /s/ Xia Heng

**Basic Information of the Company.**

Company name                               Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.  
Registered address                         Room 109, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Registered capital                         RMB ten million  
Legal representative                        Xia Heng

Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xiaopeng Motors Technology Co., Ltd.	50%	Five million
He Xiaopeng	40%	four million
Xia Heng	10%	one million

Exhibit 1 to the Exclusive Option Agreement



Exhibit 2:

**Form of Exercise Notice**

To: He Xiaopeng and Xia Heng

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with He Xiaopeng and Xia Heng, and Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (“**Company**”) on [insert date], providing that subject to the laws and regulations of China, upon the request of us, He Xiaopeng and Xia Heng shall transfer their equity interest in the Company to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Equity Transfer Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the [•]% equity interest held by He Xiaopeng and Xia Heng in the Company (“**Transfer Equity**”). Please transfer the above Transfer Equity to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 2 to the Exclusive Option Agreement

Exhibit 3:

**Form of Exercise Notice**

To: Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, and He Xiaopeng and Xia Heng on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer your assets to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Asset Purchase Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the assets owned by you as listed in the schedule attached hereto (“**Transfer Assets**”). Please transfer the above Transfer Assets to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 3 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd.

He Xiaopeng and Xia Heng

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (“**Company**”), and He Xiaopeng and Xia Heng on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall reduce the capital of the Company, and allow us or any third party designated by us to subscribe for the newly increased registered capital of the Company.

Therefore, we hereby notify you as follows:

We hereby exercise the Capital Increase Option under the Option Agreement, and request the Company to reduce its registered capital by RMB[•]. After completion of the capital reduction, the registered capital of the Company will become RMB[•], and He Xiaopeng and Xia Heng will not hold equity interest in the Company / He Xiaopeng and Xia Heng will hold [•] equity interest in the Company.

Meanwhile, we or [name of the entity/individual designated by us] will subscribe for the newly increased registered capital of the Company of RMB[•]. After completion of the above capital increase, the registered capital of the Company will become RMB[•].

Please immediately complete the capital reduction according to the Option Agreement after receiving this notice, and allow us or [name of the entity/individual designated by us] to subscribe for the newly increased registered capital of the Company.

Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 4 to the Exclusive Option Agreement

**XPENG INC.**  
**SECOND AMENDED AND RESTATED 2019 EQUITY INCENTIVE PLAN**

As adopted on June 19, 2021

1. Purposes of the Plan.

The purposes of this XPeng Inc. Second Amended and Restated 2019 Equity Incentive Plan (the “Plan”) is to enable XPeng Inc., an exempted company incorporated in the Cayman Islands (the “Company”) to attract and retain the services of Employees and Directors considered essential to the success of the Company and the Group Members (as defined below) (collectively, the “Group”) by providing additional incentives to promote the success of the Group as a whole. Restricted Shares, Restricted Share Units, Dividend Equivalents, Share Appreciation Rights and Share Payments (each as defined below) may be granted under the Plan.

2. Definitions and Interpretation.

(a) Definitions. In this Plan, unless the context otherwise requires, the following expressions shall have the following meanings:

“Administrator” means 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 Section 4(e).

“Applicable Law” means the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders, and the rules of any applicable stock exchange or national market system, of any jurisdiction applicable to Awards granted to residents therein.

“As-Converted Basis” means assuming that, with respect to any outstanding preferred shares that are convertible into Shares, such preferred shares have been so converted, and with respect to any warrants that are convertible into preferred shares, that the preferred shares issuable upon the exercise of the warrants have been so issued and that such issued preferred shares have also been so converted into Shares.

“Award” means an Restricted Share, Restricted Share Unit, Dividend Equivalent, Share Appreciation Right or Share Payment award granted to a Participant pursuant to the Plan.

“Award Agreement” means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

“Board” means the board of directors of the Company.

“Business” means any Person that carries on activities for profit, and shall be deemed to include any affiliate of such Person.

“Cause” means, with respect to a Participant, unless in the case of a particular Award, the particular Award Agreement states otherwise, (a) the applicable Group Member having “cause,” “just cause” or term of similar meaning or import, to terminate a Participant’s employment or service, as defined in any employment, consulting or services agreement between the Participant and such Group Member in effect at the time of such termination or (b) in the absence of any such employment, consulting or services agreement (or the absence of any definition of “cause,” “just cause” or term of similar meaning or import contained therein), the following events or conditions, as determined by the Administrator in its sole discretion:

(i) any commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts, or commission of a criminal offense;

(ii) any material breach of any agreement or understanding between the Participant and any Group Member including, without limitation, any applicable intellectual property and/or invention assignment, employment, non-competition, confidentiality or other similar agreement or the Group Member’s code of conduct or other workplace rules;

(iii) any material misrepresentation or omission of any material fact in connection with the Participant’s employment with any Group Member or service as a Service Provider;

(iv) any material failure to perform the customary duties as an Employee or Director, to obey the reasonable directions of a supervisor or to abide by the policies or codes of conduct of the Company or any other Group Member or to satisfy the requirements or working standards of the applicable Group Member during any applicable probationary employment period; or

(v) any conduct that is materially adverse to the name, reputation or interests of the Group Members.

“Change in Control” means any of the following transactions:

(i) an amalgamation, arrangement, merger, consolidation or scheme of arrangement in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or which following such transaction the holders of the Company’s voting shares immediately prior to such transaction own more than fifty percent (50%) of the voting shares of the surviving entity;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company (other than to a Subsidiary);

(iii) the completion of a voluntary or insolvent liquidation or dissolution of the Company;

(iv) any takeover, reverse takeover, scheme of arrangement, or series of related transactions culminating in a reverse takeover or scheme of arrangement (including, but not limited to, a tender offer followed by a takeover or reverse takeover) in which the Company survives but (A) the shares of the Company outstanding immediately prior to such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of shares, securities, cash or otherwise, or (B) the shares carrying more

than fifty percent (50%) of the total combined voting power of the Company's then issued and outstanding shares are transferred to a person or persons different from those who held such shares immediately prior to such transaction culminating in such takeover, reverse takeover or scheme of arrangement, or (C) the Company issues new voting shares in connection with any such transaction, in each case such that holders of the Company's voting shares immediately prior to the transaction no longer hold more than fifty percent (50%) of the voting shares of the Company after the transaction; or

(v) the acquisition in a single or series of related transactions by any person or related group of persons (other than Employees of one or more Group Members or entities established for the benefit of the Employees of one or more Group Members) of (A) control of the board of directors of the Company or the ability to appoint a majority of the members of such board, or (B) beneficial ownership (within the meaning of Rule 13d-3 under the U.S. Securities Exchange Act) of shares carrying more than fifty percent (50%) of the total combined voting power of the Company's then issued and outstanding shares.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Committee” means the Compensation Committee of the Board (or a subcommittee thereof), or such other committee of the Board to which the Board has delegated power to act pursuant to the provisions of the Plan; provided, that in the absence of any such committee, the term “Committee” shall mean the Board.

“Company” has the meaning set forth in Section 1.

“Competitor” means any Business 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 Group Member.

“Consultant” means any person who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group.

“Director” means a member of the board of directors or similar governing body of a Group Member.

“Disability” means, unless in the case of a particular Award, the particular Award Agreement states otherwise, as to any Participant, (a) “Disability,” as defined in any employment, consulting or services agreement between the Participant and the applicable Group Member in effect at the time of such termination; or (b) in the absence of any such employment, consulting or services agreement (or in the absence of any definition of “Disability” contained therein), a disability, whether temporary or permanent, partial or total, as determined by the Administrator in its sole discretion.

“Dividend Equivalent” means a right to receive (in cash or other property or, subject to Section 13, 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) as provided under Section 13.

“Employee” means any person who has an employment relationship with any Group Member. A Service Provider shall not cease to be an Employee in the case of (i) any leave of absence approved by the relevant Group Member under Applicable Laws, or (ii) transfers between locations of Group Members.

“Fair Market Value” means, as of any date, the value of Shares determined as follows:

(i) If the Shares are listed on one or more established stock exchanges or traded on automated quotation systems, the Fair Market Value shall be the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed or traded on the date of determination, as reported in Bloomberg or such other source as the Administrator deems reliable unless otherwise prescribed by any Applicable Law, or, if the date of determination is not a Trading Date, the closing price as quoted on the principal exchange or system on which the Shares are listed or traded on the Trading Date immediately preceding the date of determination;

(ii) If depositary receipts representing the Shares are listed on one or more established stock exchanges or traded on automated quotation systems, the Fair Market Value shall be the closing sales price for such depositary receipts (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on the date of determination, as reported in Bloomberg or such other source as the Administrator deems reliable, divided by the number of Shares that are represented by such depositary receipts, or, if the date of determination is not a Trading Date, the closing sales price for such depositary receipts as quoted on the principal exchange or system on which such depositary receipts are listed or traded on the Trading Date immediately preceding the date of determination, divided by the number of Shares that are represented by such depositary receipts;

(iii) If the Shares or depositary receipts representing the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value shall be the mean between the high bid and low asked prices for (a) the Shares on the date of determination or (b) depositary receipts representing the Shares on the date of determination, divided by the number of Shares that are represented by such depositary receipts, as applicable; or

(iv) In the absence of an established market for the Shares, the Fair Market Value thereof shall be determined in good faith by the Administrator.

“Family Member” means (i) any person who is a “family member” of the Participant, as such term is used in the instructions to Form S-8 under the U.S. Securities Act (collectively, the “Immediate Family Members”, which includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, and any person sharing the Participant’s household (other than a tenant or employee); (ii) a trust solely for the benefit of the Participant and/or the Participant’s Immediate Family Members; or (iii) a partnership or limited liability company whose only partners or shareholders are the Participant and/or the Participant’s Immediate Family Members; or (iv) any other transferee as may be approved by the Administrator in its sole discretion in an Award Agreement or otherwise.

“Fully Diluted Basis” means assuming that all outstanding preferred shares, options, warrants and other equity securities that are convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged.

“Group” has the meaning set forth in Section 1.

“Group Member” means the Company, any Subsidiary or any Related Entity.

“Initial Public Offering” means the first firm commitment underwritten offering of the IPO Corporation pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-4 or Form S-8 or any similar form).

“IPO Corporation” means the Company or any other entity which undertakes the Initial Public Offering.

“Participant” means the holder of an outstanding Award granted under the Plan.

“Person” means any natural person, firm, company, corporation, body corporate, partnership, association, government, state or agency of a state, local, municipal or provincial authority or government body, joint venture, trust, individual proprietorship, business trust or other enterprise, entity or organization (whether or not having separate legal personality).

“Plan” has the meaning set forth in Section 1.

“Related Entity” means any Person in or of which the Company or a Subsidiary holds a substantial economic interest, or possesses the power to direct or cause the direction of the management policies, directly or indirectly, through the ownership of voting securities, by contract, or other arrangements as trustee, executor or otherwise, but which, for purposes of the Plan, is not a Subsidiary and which the Administrator designates as a Related Entity. For purposes of the Plan, any Person in or of which the Company or a Subsidiary owns, directly or indirectly, securities or interests representing twenty percent (20%) or more of its total combined voting power of all classes of securities or interests shall be deemed a “Related Entity” unless the Administrator determines otherwise.

“Restricted Share” means a Share subject to restrictions and repurchase rights granted pursuant to the Plan.

“Restricted Share Unit” means the right to receive a Share, or any number or fraction thereof, at a future date granted pursuant to the Plan.

“Service Provider” means any Person who is an Employee, Consultant or a Director; provided, that Awards shall not be granted to any Director in any jurisdiction in which, pursuant to Applicable Laws, grants to non-employees are not permitted. If any Person is a Service Provider by reason of being an Employee or Director to the Company or any Subsidiary and such Person’s service is transferred to a Related Entity, then the Administrator, in its sole discretion, may determine that such Person’s service as a Service Provider has terminated as a result of such transfer for any or all purposes of any Award, Award Agreement and the Plan.



“Share” means a class A ordinary share of the Company, par value US\$0.00001 per share, as adjusted in accordance with Section 13(a) below.

“Share Appreciation Right” 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 applicable Award Agreement, granted pursuant to the Plan.

“Share Payment” means 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, granted pursuant to the Plan.

“Subsidiary” means any Person Controlled by the Company. “Control” means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person whether through the ownership of the voting securities of such Person or by contract or otherwise. For purposes of the Plan, any “variable interest entity” that is consolidated into the consolidated financial statements of the Company under applicable accounting principles or standards as may apply to the consolidated financial statements of the Company shall be deemed a Subsidiary.

“Tax” means any income, employment, social welfare or other tax withholding obligations (including a Participant’s tax obligations) or any levies, stamp duties, charges or taxes required or permitted to be withheld or otherwise payable under Applicable Laws with respect to any taxable event concerning a Participant arising as a result of this Plan.

“Terminated for Cause” or “Termination for Cause” means, in the case of a Participant, (i) the termination of the Participant’s status as a Service Provider for Cause or (ii) the Participant’s termination without Cause or voluntary resignation as a Service Provider if the Administrator determines at any time that, before or after the Participant’s termination without Cause or resignation, a Group Member had Cause to terminate such Participant’s status as a Service Provider.

“Trading Date” means any day on which the Shares or depository receipts representing the Shares are (i) publicly traded on one or more established stock exchanges or automated quotation systems under an effective registration statement or similar document under Applicable Law or (ii) quoted by a recognized securities dealer.

“U.S. Person” means each Person who is a “United States Person” within the meaning of Section 7701(a)(30) of the Code (i.e., a citizen or resident of the United States, including a lawful permanent resident, even if such individual resides outside of the United States).

“U.S. Securities Act” means the United States Securities Act of 1933 and the regulations thereunder, as amended from time to time.

“U.S. Securities Exchange Act” means the United States Securities Exchange Act of 1934 and the regulations thereunder, as amended from time to time.

(b) Interpretation. Unless expressly provided otherwise, or the context otherwise requires:

- (i) the headings in this Plan are for convenience only and shall not affect its interpretation;
- (ii) the terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa;
- (iii) references to “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”;
- (iv) references to “dollars” or “US\$” shall be deemed references to the lawful money of the United States of America;
- (v) references to clauses, sub-clauses, paragraphs, sub-paragraphs and schedules are to clauses, sub-clauses, paragraphs and sub-paragraphs of, and schedules to, this Plan;
- (vi) use of any gender includes the other genders;
- (vii) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;
- (viii) a reference to any other document referred to in this Plan is a reference to that other document as amended, varied, novated or supplemented at any time; and
- (ix) sections 8 and 19(3) of the Electronic Transactions Law (2003 Revision) of the Cayman Islands shall not apply.

3. Shares Subject to the Plan.

(a) Subject to the provisions of Sections 13, the maximum aggregate number of Shares which may be subject to Awards under the Plan is 161,462,100 Shares (the “Plan Share Reserve”).

(b) The Shares that may be subject to Awards are authorized but unissued Shares of the Company.

(c) If an Award (or any portion thereof) terminates, expires or lapses or is cancelled for any reason, any Shares subject to the Award (or such portion thereof) shall again be available for the grant of an Award pursuant to the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan, pursuant to Awards under the Plan shall not be returned to the Plan and shall not cause the number of Shares available to be subject to Awards under the Plan to be increased, except that if:

(i) any unvested Restricted Shares are cancelled (or surrendered) or the Company repurchases unvested Restricted Shares pursuant to the terms of the Award Agreement, or

(ii) the Company repurchases any Shares granted under any Award (or a portion thereof) in the event of a Participant's joining a Competitor, Termination for Cause, or any of the other circumstances as set forth in Section 17(a), then such Restricted Shares or Shares shall form part of the authorized but unissued share capital of the Company and may become available for future grant under the Plan (to the extent permitted under Applicable Laws).

4. Administration of the Plan.

(a) Administrator. The Plan shall be administered by the Administrator (except as otherwise permitted herein).

(b) Duties and Powers of Administrator. It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with its provisions. Subject to the provisions of the Plan, the Administrator shall have the power and authority, in its discretion:

(i) to select the Service Providers to whom Awards may from time to time be granted hereunder;

(ii) to determine the type or types of Awards to be granted to each Service Provider;

(iii) to determine the base price of a Share Appreciation Right;

(iv) to determine the number of Shares, or fractions thereof, to be covered by each such Award granted hereunder;

(v) to prescribe the forms of Award Agreement for use under the Plan, which need not be identical for each Participant and to amend any Award Agreement; provided, that: (1) the rights or obligations of the Participant holding the Award that is the subject of any such Award Agreement are not affected adversely by such amendment; (2) the consent of the affected Participant is obtained; or (3) such amendment is otherwise permitted under the Plan. Any such amendment of an Award under the Plan need not be the same with respect to each Participant;

(vi) to determine the terms and conditions of any Award granted hereunder (such terms and conditions to include, but not be limited to, the exercise price, the time or times when Awards may be vested, issued or exercised as the case may be (which may be based on performance criteria), the times at which Shares are issuable under a Restricted Share Unit, 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 restrictions, 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, shall determine);

(vii) to determine all matters and questions relating to whether a Participant's status as a Service Provider 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 (which it may determine to be the date of notice of resignation or the date of an act or omission by such Participant constituting Cause) and all questions of whether particular leaves of absence constitute a termination of the Service Provider;

(viii) to determine whether a Business is a Competitor;

(ix) unless otherwise required in the shareholders agreement of the Company (as it may be amended from time to time), to prescribe, amend and rescind rules and regulations relating to the Plan and the administration of the Plan and all Award Agreements, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred Tax treatment under the tax laws of any jurisdiction;

(x) to 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 Section 14(j) below;

(xi) to 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;

(xii) to construe, interpret, reconcile any inconsistency in, correct any defect in and/or supply any omission in, the terms of the Plan, any Award Agreement and any Award granted pursuant to the Plan; and

(xiii) make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

(c) Action by the Administrator. The Administrator may act at a meeting or in writing signed by all members of the Administrator in lieu of a meeting. The Administrator is entitled to, in good faith, rely or act upon any report or other information furnished by any officer or other employee of any Group Member, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company or the Administrator to assist in the administration of the Plan.

(d) Effect of Administrator's Decision. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan and any Award Agreement, and all decisions, determinations and interpretations of the Administrator shall be final, binding and conclusive for all purposes and upon all Participants.

(e) Delegation of Authority. To the extent permitted by Applicable Laws, the Administrator may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to this Section 4. Any delegation hereunder shall be subject to the restrictions and limits that the Administrator specifies at the time of such delegation, and the Administrator may at any time rescind the authority so delegated or appoint a new delegate.

5. Eligibility.

(a) Subject to the terms of the Plan, all forms of Awards may be granted to any Service Provider.

(b) Neither the Plan nor any Award shall confer upon any Participant any right with respect to continuing the Participant's relationship as a Service Provider with any Group Member, nor shall it interfere in any way with the Participant's right or any Group Member's right to terminate such relationship at any time, with or without Cause.

6. Terms of Awards.

(a) Term. The term of each Award shall be stated in the Award Agreement; provided, that the term shall be no more than ten (10) years from the date of grant thereof. Subject to the foregoing, except as limited by the requirements of Section 409A of the Code and regulations and rulings thereunder, the Administrator may extend the term of any outstanding Award, and may extend the time period during which vested Awards may be exercised, in connection with any termination of a Participant's status as a Service Provider, and may amend any other term or condition of an Award relating to such termination.

(b) Timing of Granting of Awards. The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award or such other future date as is determined by the Administrator. Notice of the determination shall be given to each Service Provider to whom an Award is so granted within a reasonable time after the date of such grant.

(c) Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan (or any other award granted pursuant to another compensation plan). Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards (or any other award granted pursuant to another compensation plan).

(d) Award Agreement. All Awards shall be evidenced by an Award Agreement setting forth the number of Shares subject to the Award and the terms and conditions of the Award, which shall not be inconsistent with the Plan; provided, that if necessary to comply with Section 409A of the Code, for each U.S. Person the Shares subject to the Awards shall be "service recipient stock" within the meaning of Section 409A of the Code or the Award shall otherwise comply with Section 409A of the Code, unless the Participant consents otherwise.

(e) Vesting. The period during which an Award, in whole or in part, vests shall be set by the Administrator, and the Administrator may determine that an Award may not vest in whole or in part for a specified period after it is granted. Such vesting may be based on service with a Group Member and/or any other criteria selected by the Administrator. At any time after grant of an Award, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Award vests. No portion of an Award that is unvested or unexercisable at the termination of a Participant's status as a Service Provider shall thereafter become vested or exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Award.

(f) Issuance of Shares. Shares issued upon grant, exercise or vesting of an Award (or any portion thereof) shall be issued in the name of the Participant or, if requested by the Participant and if approved by the Administrator in its sole discretion, in the name of the Participant and/or in the name of one of more of the Participant's Family Members.

(g) Termination of Relationship as a Service Provider. If a Participant's status as a Service Provider terminates, such Participant may exercise any unexercised Award (to the extent exercisable) within such period of time, if any, as is specified in the Award Agreement to the extent that the Award is vested and exercisable on the date of termination (but in no event later than the expiration of the term of the Award as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, and except as provided in Sections 6(h), 6(i) and 6(j), Awards shall cease to be exercisable immediately following the Participant's termination (and in no event shall any Award be exercisable later than the expiration of the term of the Award as set forth in the Award Agreement). 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 and the Shares covered by the unvested portion of the Award shall revert to the Plan and again be available for grant or award under the Plan. If, after termination, the Participant does not exercise the Participant's Award within the time specified by the Administrator, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan and again be available for grant or award under the Plan.

(h) Disability of Participant. If a Participant's status as a Service Provider terminates as a result of the Participant's Disability, the Participant may exercise any unexercised Award (to the extent exercisable) within such period of time as is specified in the Award Agreement to the extent the Award is vested and exercisable on the date of termination (but in no event later than the expiration of the term of such Award as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Award shall remain exercisable until the expiration of the term of the Award as set forth in the Award Agreement. 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 and the Shares covered by the unvested portion of the Award shall revert to the Plan and again be available for grant or award under the Plan. If, after termination, the Participant does not exercise the Participant's Award within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan and again be available for grant or award under the Plan.

(i) Death of Participant. If a Participant dies while a Service Provider, any unexercised Award (to the extent exercisable) may be exercised within such period of time as is specified in the Award Agreement to the extent that the Award is vested on the date of death of the Participant (but in no event later than the expiration of the term of such Award as set forth in the Award Agreement) by the Participant's estate or by a person who acquires the right to exercise the Award by bequest or inheritance. In the absence of a specified time in the Award Agreement, the Award shall remain exercisable until the expiration of the term of the Award as set forth in the Award Agreement. Unless otherwise specified in the Award Agreement or otherwise determined by the Administrator, if, at the time of death, the Participant is not vested as to the entire Award, the unvested portion of such Award shall be deemed cancelled and the Shares covered by the unvested portion of the Award shall immediately revert to the Plan and again be available for grant or award under the Plan. If the Award is not so exercised within the time specified herein, the Award shall terminate, and the Shares covered by such Award shall revert to the Plan and again be available for grant or award under the Plan.

(j) Termination for Cause. Subject to Applicable Law, if a Participant is Terminated for Cause, all unexercised Share Appreciation Rights, whether vested or unvested, and all other unvested Awards, shall be cancelled as of the date of such termination as determined by the Administrator in its sole discretion, and all Shares acquired pursuant to an Award by such Participant shall be subject to a right of repurchase by the Company in accordance with Section 17(b). Any Shares covered by cancelled Awards, and any Shares so repurchased, may revert to the Plan and again be available for grant or award under the Plan.

7. Restricted Shares.

(a) Rights to Purchase. After the Administrator determines that it will offer Restricted Shares under the Plan, it shall advise the offeree in writing or electronically of the terms, conditions and restrictions related to such Restricted Shares.

(b) Restrictions. All Restricted Shares shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator shall provide. 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. All share certificates relating to Restricted Shares shall be held by the Company in escrow for the Participant until all restrictions on such Restricted Shares have been removed.

(c) Repurchase or Cancellation of Restricted Shares. If the price for the Restricted Shares was paid by the Participant in services, then, upon termination as a Service Provider, 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 Participant 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 a Service Provider, 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.

(d) Rights as a Shareholder. Once the Restricted Shares are issued, subject only to the restrictions on such Restricted Shares as provided in the Award Agreement and the memorandum and articles of association of the Company as amended from time to time, the Participant shall have rights as a shareholder that are equivalent to the rights of other holders of Shares, and shall be a shareholder when the Participant is recorded as the holder of such Restricted Shares upon entry in the Company's register of members. No adjustment shall be made for a dividend or other right in respect of any Restricted Share for which the record date is prior to the date the Participant is entered on the Company's register of members in respect of such Restricted Shares, except as provided in Section 13 of the Plan.

8. Restricted Share Units.

(a) Rights to Purchase. After the Administrator determines that it will offer Restricted Share Units under the Plan, it shall advise the offeree in writing or electronically of the terms, conditions and restrictions related to such Restricted Share Units.

(b) Rights as a Shareholder. Until a Share is issued in settlement of any Restricted Share Units by entry in the Company's register of members, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Share. The Company shall cause such Share to be evidenced as issued by entry in the Company's register of members promptly after the Restricted Share Unit vests. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.

9. Share Appreciation Rights.

(a) Rights to Purchase. After the Administrator determines that it will offer Share Appreciation Rights under the Plan, it shall advise the offeree in writing or electronically of the terms, conditions and restrictions related to such Share Appreciation Rights.

(b) Base Price. The price per Share over which the appreciation of each Share Appreciation Right is to be measured shall be the base price as determined by the Administrator and set forth in the Award Agreement, which may be a fixed or variable price determined by reference to the Fair Market Value of the Shares; provided, that, for each U.S. Person, such base price may not be established at less than the Fair Market Value on the date the Share Appreciation Right is granted without such Share Appreciation Right either complying with Section 409A of the Code, or the Participant's consent. The base price per Share so established for a Share Appreciation Right may be amended or adjusted in the absolute discretion of the Administrator, provided, that such adjustment does not result in a materially adverse impact to the Participant. For the avoidance of doubt, to the extent not prohibited by Applicable Laws, a downward adjustment in the base price mentioned in the preceding sentence shall be effective without the approval of the Board or the Company's shareholders or the approval of the affected Participants.

(c) 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 so provide, by the Administrator at the time of exercise. To the extent any payment is effected in Shares, only that number of Shares actually issued in payment of the Share Appreciation Right shall be counted against the Plan Share Reserve under Section 3.

(d) Procedure for Exercise. Any Share Appreciation Right granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. A Share Appreciation Right shall be exercised when the Company receives written or electronic notice of exercise (in accordance with the Award Agreement) from the person entitled to exercise the Share Appreciation Right and payment of Taxes which are required to be withheld by the relevant Group Member. If Shares are issued upon exercise of a Share Appreciation Right, then such Shares shall be issued in the name of the Participant or, if requested by the Participant and if 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.

(e) Rights as a Shareholder. Until the Shares are issued by entry in the Company's register of members, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Shares, notwithstanding the exercise of the Share Appreciation Right. The Company shall issue (or cause to be issued) such Shares promptly after the Share Appreciation Right is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13.

10. Dividend Equivalents.

The Administrator is authorized to grant Dividend Equivalents with respect to any Award and any Service Provider. Dividend Equivalents with respect to an Award may be granted by the Administrator based on dividends declared on the Shares underlying such Award (and, in the case of any such Shares which have not been issued, the Dividend Equivalent may entitle the holder of such Award to receive an amount equal to the dividends which would have been paid on such Shares, as if such Shares had been issued and outstanding during the relevant period), to be credited as of dividend payment dates during the



period between the date the Dividend Equivalent is granted to a Participant and the date the Award with respect to which the Dividend Equivalent vests, is exercised, is distributed or expires, as determined by the Administrator. Such Dividend Equivalents shall be settled in cash, other property or a reduction in exercise price or base price of the relevant Award by such formula and at such time and subject to such limitations as may be determined by the Administrator and as set forth in the Award Agreement or otherwise. Dividend Equivalents shall not be granted with respect to Share Appreciation Rights granted to U.S. Persons.

11. Share Payments.

The Administrator is authorized to grant Share Payments to any Service Provider in the manner determined from time to time by the Administrator; provided, that unless otherwise determined by the Administrator such Share Payments shall be made in lieu of base salary, bonus or other cash compensation otherwise payable to such Participant, including any such compensation that has been deferred at the election of the Participant; provided, further, that not less than the par value of any Share shall be received by the Company in connection with its issuance of a Share pursuant to any such Share Payment. In accordance with Applicable Law, such par value may be paid through the provision of services. 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.

12. Non-Transferability of Awards.

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; provided, that (i) during a Participant's lifetime, with the consent of the Administrator (on such terms and conditions as the Administrator determines appropriate), the Participant may transfer Awards (except Restricted Share Units) pursuant to domestic relations order in the settlement of marital property rights, (ii) the Administrator may permit transfer of an Award to Family Members in its sole discretion under such circumstances as it deems appropriate, and (iii) following a Participant's death, Awards, to the extent they are vested upon the Participant's death, may be transferred by will or by the laws of descent and distribution.

13. Adjustments Upon Changes in Capitalization, Change in Control.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per Share covered by each such outstanding Award and any other affected terms of such Awards, shall be proportionally and equitably adjusted for 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. Additionally, in the event of any other increase or decrease in the number of issued Shares effected without consideration by the Company, then the number of Shares covered by each outstanding Award, the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, as well as the price per Share covered by each outstanding Award may be adjusted for any increase or decrease in the number of issued Shares resulting therefrom. The conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." The manner in which such adjustments under this Section 13(a) are to be accomplished shall be determined by the Board, whose determination shall be final,

binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award. For the avoidance of doubt, in the case of any extraordinary cash dividend, the Administrator shall make an equitable or proportionate adjustment to outstanding Awards to reflect the effect of such extraordinary cash dividend.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of commencement of such proposed dissolution or liquidation. The Administrator in its discretion may provide for a Participant to have the right to exercise the Participant's Share Appreciation Right until fifteen (15) days prior to the commencement of such dissolution or liquidation as to all of the Shares covered thereby. In addition, the Administrator may provide that any Company repurchase option or any vesting condition applicable to any Restricted Shares shall lapse as to all such Restricted Shares and any Shares issuable under any Restricted Share Units or as Share Payments shall be issued as of such date; provided, that the proposed dissolution or liquidation commences at the time and in the manner contemplated by the proposed dissolution or liquidation. To the extent it has not been previously exercised or paid out, all Awards will terminate immediately prior to the commencement of such proposed dissolution or liquidation.

(c) Change in Control. Except as may otherwise be 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 occurs, the Company, as determined in the sole discretion of the Administrator and without the consent of the Participant, may take any of the following actions:

(i) accelerate the vesting, in whole or in part, of any Award;

(ii) purchase any Award for an amount of cash or shares equal to the value that could have been attained upon the exercise of such Award or realization of the Participant's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, if as of such date the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment); or

(iii) provide for the assumption, conversion or replacement of any Award by the successor or surviving company or a parent or subsidiary of the successor or surviving company with other rights (including cash) or property selected by the Administrator in its sole discretion or the assumption or substitution of such Award by the successor or surviving company, or a parent or subsidiary thereof, with such appropriate adjustments as to the number and kind of shares and prices as the Administrator deems, in its sole discretion, reasonable, equitable and appropriate. In the event the successor or surviving company refuses to assume, convert or replace outstanding Awards, the Awards shall fully vest, and the Participant shall have the right to exercise or receive payment as to all of the Shares subject to the Award, including Shares as to which it would not otherwise be vested, exercisable or otherwise issuable (including at the time of the Change in Control).

(d) Prior to any payment or adjustment contemplated under this Section 13, the Committee may require a Participant to (i) represent and warrant as to the unencumbered title to the Participant's Awards; (ii) bear such Participant's pro rata share of any post-closing indemnity obligations, and be subject to the same post-closing purchase price adjustments, escrow terms, offset rights, holdback terms, and similar conditions as the other holders of Shares, subject to any limitations or reductions as may be necessary to comply with Section 409A of the Code; and (iii) deliver customary transfer documentation as reasonably determined by the Committee.

14. Miscellaneous General Rules.

(a) Share Certificates; Book Entry Procedures. Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing Shares or ADSs (as defined in Section 14(e)) issued pursuant to the vesting, exercise or settlement of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and/or delivery of such certificates, as applicable, is in compliance with all Applicable Laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares or ADSs are listed or traded. All Share and ADS certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with all Applicable Laws, and the rules of any national securities exchange or automated quotation system on which the Shares or ADSs are listed, quoted, or traded. The Administrator may place legends on any Share or ADS certificate to reference restrictions applicable to the Share or ADS. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator. Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any Applicable Law, the Company shall not deliver to any Participant certificates evidencing Shares or ADSs issued in connection with any Award and instead such Shares or ADSs shall be recorded in the books of the Company (or, as applicable, its transfer agent or share plan administrator).

(b) Paperless Administration. Subject to Applicable Laws, the Administrator may make Awards, provide applicable disclosure and procedures for exercise of Awards by an internet website, electronic mail or interactive voice response system for the paperless administration of Awards.

(c) Applicable Currency. The Award Agreement shall specify the currency applicable to such Award. The Administrator may determine, in its sole discretion, that an Award denominated in one currency may be paid in any other currency based on the prevailing exchange rate as the Administrator deems appropriate. A Participant may be required to provide evidence that any currency used to pay the exercise price or purchase price of any Award was acquired and taken out of the jurisdiction in which the Participant resides in accordance with Applicable Laws, including foreign exchange control laws and regulations.

(d) Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary or Related Entity except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

(e) Government, Other Regulations and Distribution of Shares. The obligation of the Company to make payment of awards in Shares or otherwise shall be subject to all Applicable Laws, rules, and regulations, and to such approvals by government agencies as may be required.

The Company shall be under no obligation to register any of the Shares paid pursuant to the Plan under any Applicable Laws. If the Shares paid pursuant to the Plan may in certain circumstances be exempt from registration under Applicable Laws, the Company may restrict the transfer of such Shares in such manner as it deems advisable to ensure the availability of any such exemption. Additionally, in the discretion of the Administrator, American depositary shares (“ADSs”), may be distributed in lieu of Shares in settlement of any Award; provided, that the ADSs shall be of equal value to the Shares that would have otherwise been distributed; provided, further, that, in the discretion of the Administrator, in lieu of issuing a fractional ADS, the Company shall make a cash payment to the Participant equal to the Fair Market Value of such fractional ADS. If the number of Shares represented by an ADS is other than on a one-to-one basis, the limitations contained in Section 3 shall be adjusted to reflect the distribution of ADSs in lieu of Shares.

(f) Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

(g) Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(h) Fractional Shares. The Administrator shall have the discretion to determine whether any fractional Share shall be issued under the Plan, or whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(i) No Rights to Awards. No Participant, Employee, or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Participants, Employees, Directors or any other persons uniformly.

(j) Taxes. No Shares shall be issued, and no payment shall be made under the Plan to any Participant, until such Participant has made arrangements acceptable to the Administrator for the satisfaction of Taxes and any other costs and expenses in connection with the grant, exercise or vesting of Awards and/or the issuance of the Shares. The Company or the relevant Group Member shall have the authority and the right to deduct or withhold from any compensation payable to a Participant, or require a Participant to remit to the Company or the relevant Group Member, an amount sufficient to satisfy all Taxes. The Administrator may, in its discretion and in satisfaction of the foregoing requirement, allow or require a Participant to satisfy Taxes by electing to have the Company withhold Shares otherwise issuable under an Award (or other amounts payable under an Award) having a Fair Market Value equal to the Taxes. Notwithstanding any other provision of the Plan, the number of Shares otherwise issuable under an Award which may be withheld with respect to the grant, issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award (or a portion thereof) after such Shares were acquired by the Participant from the Company) in order to satisfy all Taxes, unless specifically approved by the Administrator, will be limited to the number of Shares otherwise issuable under an Award that have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such Taxes. The Fair Market Value of the Shares otherwise issuable under an Award to be withheld shall be determined on the date that the amount of Taxes to be withheld is to be determined. All elections by the Participants to have Shares otherwise issuable under an Award withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable.

(k) Buy-Out. In the sole discretion of the Administrator, any Award (in whole or in part) under the Plan may be settled in cash or other property in lieu of Shares; provided, that payment in cash or other property in lieu of Shares shall not be made earlier than the time such Shares are issuable pursuant to the terms of the Award.

(l) Valuation. For purposes of Section 13(c) where an Award is converted into, or any underlying Share is substituted with, cash or other property or securities (a “Substitute Property”), the valuation of such Award and its Substitute Property, or the exchange ratio between the two, shall be determined in good faith by the Administrator and supported by the valuation achieved in the relevant transaction, or in the absence of any such transaction, by an independent valuation expert selected by the Administrator.

(m) Effect of Plan upon Other Compensation Plans. The adoption of the Plan is not intended to affect any other compensation or incentive plans in effect for the Company or any Subsidiary or Related Entity. Nothing in the Plan shall be construed to limit the right of the Company, any Subsidiary or any Related Entity (i) to establish any other forms of incentives or compensation for Service Providers, or (ii) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, securities or assets of any corporation, partnership, limited liability company, firm or association.

(n) Section 409A. To the extent that the Administrator determines that any Award granted to a U.S. Person under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, in the event that the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance, the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (i) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section. The Administrator shall use commercially reasonable efforts to implement the provisions of this Section 14(n) in good faith; provided, that none of the Company, the Administrator nor any of the Company’s employees, directors or representatives shall have any liability to any Participant with respect to this Section 14(n).

(o) Indemnification. To the extent allowable pursuant to Applicable Laws, the Administrator (or any individual member of the Committee or the Board acting as the Administrator) shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by it or such member in connection with or resulting from any claim, action, suit, or proceeding to which it, he or she may be a party or in which it, he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by it, him or her in satisfaction of judgment in such action, suit, or proceeding against it, him or her; provided, that it, he or she gives the Company an opportunity, at its own expense, to handle and defend the same before it, he or she undertakes to handle and defend it on its, his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company’s memorandum and articles of association as amended from time to time, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(p) Plan Language. The official language of the Plan shall be English. To the extent that the Plan or any Award Agreements are translated from English into another language, the English version of the Plan and Award Agreements will always govern, in the event that there are inconsistencies or ambiguities which may arise due to such translation.

(q) Other Provisions. The Award Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion.

15. Amendment and Termination of the Plan.

(a) Effective Date; Term of Plan. The Plan became effective on June 28, 2020 (the "Effective Date"). This Plan shall continue in effect for a term of ten (10) years unless sooner terminated under this Section 15.

(b) Amendment and Termination. The Board in its sole discretion may terminate this Plan at any time. The Board may amend this Plan at any time in such respects as the Board may deem advisable subject to Applicable Laws.

(c) Effect of Termination. Except as otherwise provided in Section 13, any amendment or termination of this Plan shall not affect Awards previously granted or issued, as the case may be, and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the affected Participant and the Company, which agreement must be in writing and signed by the Participant and the Company.

16. Certain Securities Law Matters.

(a) The Company intends that, as long as it is not subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act, and is not an investment company registered or required to be registered under the Investment Company Act of 1940, as amended, all grants of Awards and Shares issuable upon exercise or vesting of Awards shall be exempt from registration under the provisions of Section 5 of the U.S. Securities Act, and this Plan shall be administered in such a manner so as to preserve such exemption. The Company intends for this Plan to constitute a written compensatory benefit plan within the meaning of Rule 701(b) of Title 17, Code of Federal Regulations, Section 230.701 ("Rule 701"), promulgated by the U.S. Securities Act. Unless otherwise designated by the Administrator at the time an Award is granted, all Awards granted under this Plan by the Company, and the issuance of any Shares pursuant thereto, are intended to be granted to (i) persons who meet the requirements of a "U.S. Person" as such term is defined in Rule 902(k) of Title 17, Code of Federal Regulations, Section 230.901 through 230.905, promulgated under the U.S. Securities Act ("Regulation S") in reliance on Rule 701 or (ii) persons other than persons who meet the requirements of a "U.S. Person" as such term is defined in Regulation S, in compliance with Regulation S or otherwise be exempt from registration.

(b) The obligation of the Company to settle Awards in Shares or other consideration shall be subject to all Applicable Laws, rules and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Shares pursuant to an Award unless such Shares

have been properly registered for sale pursuant to Applicable Laws or unless the Company has received an opinion of counsel, satisfactory to the Company, that such Shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under any Applicable Laws any of the Shares to be offered or sold under the Plan.

(c) The Administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of the Shares to the Participant, the Participant's acquisition of the Shares from the Company and/or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable. If the Administrator determines to cancel all or any portion of an Award in accordance with the foregoing, the Company shall pay to the Participant an amount equal to the excess of (i) the aggregate Fair Market Value of the Shares subject to such Award or portion thereof canceled (determined as of the applicable exercise date or the date that the Shares would have been vested or issued, as applicable), over (ii) the aggregate exercise price or base amount or any amount payable as a condition of issuance of Shares (in the case of any other Award). Such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof.

17. Joining a Competitor; Termination for Cause. If a Participant is Terminated for Cause or if within 12 months after termination as a Service Provider, or such longer period determined by the Administrator and as set forth in the applicable Award Agreement, the Participant (A) directly or indirectly, establishes, incorporates, forms, enters into, or participates in the Business as an owner, partner, principal or shareholder or other proprietor (other than through a purchase on the open market, solely as a passive investment, of not more than five percent (5%) of the interest) of any Competitor, or (B) has become, is or becomes an officer, director, employee, adviser of, or otherwise, directly or indirectly, enters the employ of, continues any employment with or renders any services to or for, any Competitor, or (C) knowingly performs or has performed any act that may confer a competitive benefit or advantage upon any Competitor (in each case as determined by the Administrator), then:

(a) All Awards (whether vested or unvested) shall be cancelled as of the date of termination of the Participant as a Service Provider;

(b) All Shares issued pursuant to any Award (or a portion thereof) shall be subject to repurchase by the Company at (i) the lesser of the (X) original purchase price of such Shares (or in the event no payment was made or the price was paid in services, then the Shares will be surrendered to and cancelled by the Company without payment), or (Y) Fair Market Value or such other value of Shares as determined by the Administrator or as set forth in the applicable Award Agreement, or (ii) the par value of such Shares, if such Shares have been issued in exchange for services which shall be considered the original purchase price, or (iii) the par value of such Shares, if such Shares have been issued under Restricted Share Units or as Share Payments; and

(c) All proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of any Awards (or a portion thereof) or upon the receipt or resale of any Shares underlying any Award (or a portion thereof), must be paid to the Company.

18. Certain Transfer Restrictions, Repurchase Rights and Similar Matters.

Any Shares issued upon the exercise of or in settlement of an Award shall be subject to such special cancellation conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as set forth in the shareholders agreement of the Company or, if there is no shareholders agreement or such provisions do not exist in the shareholders agreement of the Company, as the Administrator may determine as set forth in an Award Agreement (which restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally). Any transfer or attempted transfer of any shares not made in compliance with such restrictions shall be rejected by the Administrator.

19. Governing Law.

This Plan shall be governed by the laws of the Cayman Islands.



**Equity Interest Pledge Agreement**

**Between**

**Guangzhou Kuntu Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Xintu Technology Co., Ltd.**

**In relation to Guangzhou Xintu Technology Co., Ltd.**

**August 12, 2021**

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## Equity Interest Pledge Agreement

This equity interest pledge agreement (“**Agreement**”) is made by the following parties on August 12, 2021 (“**Execution Date**”):

1. Guangzhou Kuntu Technology Co., Ltd.. (“**Pledgor**”)  
Registered address: Room 306 (office-used only), No. 8 Songgang Street, Cencun, Changxing Avenue, Tianhe District, Guangzhou  
Legal Representative: Li Chuxu.
2. Guangzhou Xintu Technology Co., Ltd. (“**Company**”)  
Registered address: Room 403 (office-used only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Legal representative: Li Chuxu.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**Pledgee**”)  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Existing Shareholder is the registered shareholder of the Company, and legally holds all shares of the Company. As of the date of execution of this Agreement, the subscribed capital contribution of the Existing Shareholder in the registered capital of the Company is RMB100 million, accounting 100% of all shares. The basic information of the Company is shown in Exhibit 1.
2. The Parties entered into the Power of Attorney on August 12, 2021. According to the Power of Attorney, the Pledgors irrevocably and exclusively authorized the person to be designated by the Pledgee to exercise their voting powers at the Company on their halves.
3. The Pledgee and the Pledgors entered into the Loan Agreement (“**Loan Agreement**”) on August 12, 2021. According to the Loan Agreement, the Pledgee will provide the Pledgors with a loan with an aggregate principal of RMB two million (RMB2,000,000) (“**Loan**”) for the Pledgors’ operation.
4. The Company and the Pledgee entered into the Exclusive Service Agreement (“**Service Agreement**”) on August 12, 2021. According to the Service Agreement, the Company engages the Pledgee exclusively to provide relevant services, and agrees to pay corresponding service fees to the Pledgee for such services.
5. The Parties entered into the Exclusive Option Agreement (“**Option Agreement**”) on August 12, 2021. According to the Option Agreement, upon the request of the Pledgee, the Pledgors and the Company shall, subject to the PRC Laws, transfer part or whole of their Equity or part or whole of the Company’s assets to the Pledgee and/or its designated entity and/or individual according to the requirements of the Pledgee, or the Company shall reduce its capital and allow the Pledgee and/or its designated entity and/or individual to subscribe for the newly added registered capital of the Company.
6. As the security for performance of the Contractual Obligations (as defined below) and repayment of the Secured Debts (as defined below) by the Pledgors, the Pledgors are willing to create a pledge over their Equity in favor of the Pledgee and grant the Pledgee the first-rank pledge right, and the Company agrees to such equity interest pledge arrangement.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

**“Contractual Obligations”** Means all the contractual obligations of the Pledgors under the Power of Attorney, the Loan Agreement and the Option Agreement (including but not limited to the obligation of repaying loan under the Loan Agreement); all the contractual obligations of the Company under the Power of Attorney, the Service Agreement and the Option Agreement; all the contractual obligations of the Pledgors and the Company under this Agreement.

**“Secured Debts”** Means all direct, indirect or consequential losses and the loss of expected income suffered by the Pledgee from any Breaching Event (as defined below) of the Pledgors and/or the Company, the amount of which is based on (but not limited to) the reasonable business plan and profit forecast of the Pledgee, as well as all expenses incurred by the Pledgee for enforcing the Pledgors and/or the Company to perform their Contractual Obligations.

**“Transaction Agreements”** Means the Power of Attorney, the Service Agreement, the Loan Agreement and the Option Agreement.

**“Breaching Event”** Means the breach by any Pledgor of any of his Contractual Obligations under the Power of Attorney, the Loan Agreement, the Option Agreement and/or this Agreement, and the breach by the Company of any of its Contractual Obligations under the Power of Attorney, the Service Agreement, the Option Agreement and/or this Agreement,.

**“Pledged Equity Interest”** Means the entire Equity held by the Pledgors when this Agreement becomes effective and to be pledged in favor of the Pledgee according to this Agreement as the security for the performance by the Pledgors and the Company of the Contractual Obligations, as well as the capital contribution and dividend increased according to Article 2.6 and Article 2.7 hereof.

**“PRC Laws”** Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.

1.2 Any reference to any PRC Laws shall be reference to: (i) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and (ii) other decisions, notices and regulations prepared or effective under the PRC Laws.

1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## **2. Pledge of Equity Interest**

- 2.1 The Pledgors hereby agree to create a pledge in favor of the Pledgee over the Pledged Equity Interest they legally own and have the lawful right to dispose of according to the provisions of this Agreement, as the security for performance of the Contractual Obligations and repayment of the Secured Debts by the Pledgors. The Company hereby agrees to the Pledgors' creation of the above pledge according to the provisions of this Agreement.
- 2.2 The Pledgors undertake to procure the equity interest pledge arrangement hereunder ("**Pledge of Equity Interest**") to be recorded on the register of shareholders of the Company on the Execution Date. The Pledgors further undertake to use their best efforts and take all necessary measures to promptly complete the registration of the Pledge of Equity Interest with the industrial and commercial administration having jurisdiction over the Company after the Execution Date.
- 2.3 During the term of this Agreement, the Pledgee is not responsible for any decrease in the value of the Pledged Equity Interest, except for that caused by the intentional misconduct or gross negligence having direct causation with the result of the Pledgee, and the Pledgors have no right to make any claim or demand against the Pledgee.
- 2.4 Without breaching the above Article 2.3, if there is any possibility that the value of the Pledged Equity Interest will be significantly reduced, which is enough to harm the rights of the Pledgee, the Pledgee may auction or sell the Pledged Equity Interest on behalf of the Pledgors at any time, and reach an agreement with the Pledgors to use the proceeds from the auction or sale to prepay the Secured Debts or lodge the proceeds with the notary at the place of the Pledgee (the cost of which shall be borne by the Pledgors). In addition, at the request of the Pledgee, the Pledgors shall provide other property as security of the Secured Debts.
- 2.5 When any Breaching Event occurs, the Pledgee has the right to dispose of the Pledged Equity Interest according to the provisions of Article 4 hereof.
- 2.6 The Pledgors may increase the capital of the Company only with prior consent of the Pledgee. Any additional capital contribution of the Pledgors made to the registered capital of the Company due to capital increase of the Company shall be part of the Pledge Equity. The Pledgors shall complete the pledge registration of the Equity corresponding to such additional capital contribution with the industrial and commercial administration having jurisdiction over the Company.
- 2.7 The Pledgors may receive dividend or bonus in respect of the Pledged Equity Interest only with prior consent of the Pledgee. The dividend or bonus received by the Pledgors in respect of the Pledged Equity Interest shall be deposited into the account designated by the Pledgee, supervised by the Pledgee, and used first for repayment of the Secured Debts.
- 2.8 The Pledgee has the right to dispose of any Pledged Equity Interest of the Pledgors according to the provisions of this Agreement after any Breaching Event occurs.

## **3. Release of Pledge**

- 3.1 After the Pledgors and the Company fully and completely perform all Contractual Obligations and repay all Secured Debts, the Pledgee shall, at the request of the Pledgors, release the Pledge of Equity Interest hereunder, and cooperate with the Pledgors to cancel the registration of the Pledge of Equity Interest on the register of shareholders of the Company and with the competent industrial and commercial administration. The reasonable cost for the release of the Pledge of Equity Interest shall be borne by the Pledgee.

**4. Disposal of the Pledged Equity Interest**

4.1 The Parties hereby agree that if any Breaching Event occurs the Pledgee has the right to all remedial rights and powers it enjoys under the PRC Laws, the Transaction Agreements and this Agreement after giving a written notice to the Pledgors, including but not limited to auctioning or selling the Pledged Equity Interest and receiving payment from the proceeds in the first place. The Pledgee shall not be liable for any loss caused by its reasonable exercise of such rights and powers.

The Pledgors further acknowledge and agree that their breach of Article 9 hereof shall constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 10 hereof shall constitute a material breach of this Agreement.

4.2 The Pledgee has the right to appoint in writing its lawyer or other agent to exercise any or all of the above rights and powers, to which the Pledgors or the Company shall not raise any objection.

4.3 The Pledgee has the right to deduct any reasonable cost incurred in its exercise of any or all of the above rights and powers from any amount it obtains from such exercise.

4.4 The amount obtained by the Pledgee from exercise of the above rights and powers shall be distributed:

First, for payment of disposal of the Pledged Equity Interest and all costs incurred by the Pledgee for exercise of its rights and powers (including paying the remuneration of its lawyer and agent);

Second, for payment of the taxes on the disposal of the Pledged Equity Interest; and

Third, for repayment of the Secured Debts to the Pledgee.

If there is any remaining amount after the above distribution, the Pledgee shall return such remaining amount to the Pledgors or other person entitled to such amount according to relevant laws and regulations, or lodge such amount with the notary at the lace of the Pledgee (the cost of which shall be borne by the Pledgee).

4.5 The Pledgee has the right to exercise its remedies for breach of contract at the same time or successively. The Pledgee is not required to exercise other remedies first before exercising the right hereunder to auction or sell the Pledged Equity Interest.

**5. Costs and Expenses**

5.1 The Parties shall respectively bear all costs and expenses incurred relating to the creation of the Pledge of Equity Interest hereunder, including but not limited to the stamp duty, any other taxes and all legal costs.

**6. Continuing Security and No Waiver**

6.1 The Pledge of Equity Interest created hereunder is a continuing security, and is valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later. No waiver or grace by the Pledgee of any breach of the Pledgors, or any delay of the Pledgee in exercising its right under the Transaction Agreements and this Agreement, shall affect the Pledgee's right under this Agreement, relevant PRC Laws and the Transaction Agreements to request the Pledgors to strictly perform the Transaction Agreements and this Agreement at any time, or any right enjoyed by the Pledgee due to any subsequent breach by the Pledgors of the Transaction Agreements and/or this Agreement.

**7. Representations and Warranties of the Pledgors**

The Pledgors represent and warrant to the Pledgee that

- 7.1 It is a properly-registered limited liability company and is in good standing with full capacity for civil acts according to the PRC Laws, and full legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 7.2 All reports, documents and information provided by them before effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 7.3 All reports, documents and information provided by them after effectiveness of this Agreement with respect to the Pledgors and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 7.4 When this Agreement becomes effective, the Pledgors are the sole legal owner of the Pledged Equity Interest and there is not any pending or potential dispute over the title to the Pledged Equity Interest or any third party's claim. The Pledgors have the right to dispose of the Pledged Equity Interest or any part thereof.
- 7.5 Except for the security interest created over the Pledged Equity Interest under this Agreement or any right created under the Transaction Agreements, there is not any other security interest, any third party's interest and other restrictions over the Pledged Equity Interest.
- 7.6 The Pledged Equity Interest may be pledged and transferred legally, and the Pledgors have full right and power to pledge the Pledged Equity Interest in favor of the Pledgee according to the provisions hereof.
- 7.7 This Agreement shall constitute legal, valid and binding obligations of the Pledgors after the Pledgors properly sign it.
- 7.8 Except for the equity interest pledge registration with the competent industrial and commercial administration, any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority required by execution and performance of this Agreement and the Pledge of Equity Interest under this Agreement have been obtained or completed, and shall remain fully valid during the term of this Agreement.
- 7.9 The execution and performance by the Pledgors of this Agreement shall not violate or contradict to any law applicable to them, any agreement to which they are a party or by which they are bound, or any court's decision, arbitrator's award, or any administrative authority's decision.
- 7.10 The pledge hereunder constitutes the first-rank security interest over the Pledged Equity Interest.
- 7.11 All taxes and fees payable on the Pledged Equity Interest have been fully paid by the Pledgors.
- 7.12 There is no pending or, to the knowledge of the Pledgors, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledgors or their property or the Pledged Equity Interest that will have material or adverse effect on the Pledgors' economic conditions or their ability to perform the obligations or the security liabilities hereunder.
- 7.13 The Pledgors hereby warrant to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

**8. Representations and Warranties of the Company**

The Company represents and warrants to the Pledgee that

- 8.1 The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- 8.2 All reports, documents and information provided by the Company before effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true, correct, complete and not misleading in all material respects when this Agreement becomes effective.
- 8.3 All reports, documents and information provided by the Company after effectiveness of this Agreement with respect to the Pledged Equity Interest and all matters required by this Agreement are true and valid in all material respects when they are provided.
- 8.4 This Agreement shall constitute legal, valid and binding obligations of the Company after the Company properly signs it.
- 8.5 It has full internal corporate power and authority to execute and deliver this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- 8.6 There is no pending or, to the knowledge of the Company, threatened litigation, legal proceeding or claim at any court, arbitral tribunal or government or administrative authority against the Pledged Equity Interest or the Company or its assets that will have material or adverse effect on the Company's economic conditions or the Pledgors' ability to perform the obligations or the security liabilities hereunder.
- 8.7 The Company hereby agrees to be jointly and severally liable for the representations and warranties made by the Pledgors under Articles 7.4, 7.5, 7.6, 7.8, and 7.10 hereof.
- 8.8 The Company hereby warrants to the Pledgee that the above representations and warranties are true and correct and will be fully complied with before the Contractual Obligations are fully performed or the Secured Debts are fully repaid.

## **9. Undertakings of the Pledgors**

The Pledgors hereby agree and irrevocably undertake to the Pledgee as follows:

- 9.1 Without the prior written consent of the Pledgee, the Pledgors will not create or permit the creation of any new pledge or other security interest over the Pledged Equity Interest, and any pledge or other security interest created over part or whole of the Pledged Equity Interest without the prior written consent of the Pledgee shall be void.
- 9.2 Without prior written notice to and prior written consent of the Pledgee, (i) the Pledgors will not transfer or otherwise dispose of the Pledged Equity Interest, or request the Company to reduce its capital, and any such acts taken by the Pledgors without prior consent of the Pledgee shall be void; (ii) the Pledgors will not assist or permit other existing shareholder (if applicable) to take the above acts without the prior written consent of the Pledgee. The proceeds of the transfer or other disposal of the Pledged Equity Interest by the Pledgors shall be first used to repay the Secured Debts to the Pledgee or lodged with the third person agreed with the Pledgee.
- 9.3 When any legal action, arbitration or other claim occurs and may have adverse effect on the interest of the Pledgors or the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest, the Pledgors undertake to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 9.4 The Pledgors undertake to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 9.5 The Pledgors will not take or permit any acts or behaviors that may have adverse effect on the Pledgee's interest under the Transaction Agreements and this Agreement or the Pledged Equity Interest.

- 9.6 After execution of this Agreement, the Pledgors shall use their best efforts and take all necessary actions to promptly complete the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and the Pledgors undertake to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.
- 9.7 If the exercise of the pledge hereunder causes transfer of the Pledged Equity Interest, the Pledgors undertake to take all actions to realize such transfer.
- 9.8 Where a shareholders' decision is made or a meeting of the shareholders or board of directors of the Company is convened to execute this Agreement or create or exercise the pledge hereunder, the Pledgors shall ensure the decision or the convening procedure, voting method and content of the meeting shall not violate any laws, administrative regulations of articles of association of the Company.
- 9.9 The Pledgors will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by them may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

#### **10. Undertakings of the Company**

The Company hereby agrees and irrevocably undertakes to the Pledgee as follows:

- 10.1 If the execution and performance of this Agreement and the Pledge of Equity Interest hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to obtain the same and maintain the same fully valid during the term of this Agreement.
- 10.2 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to create any new pledge or other security interest over the Pledged Equity Interest.
- 10.3 Without the prior written consent of the Pledgee, the Company will not assist or permit the Pledgors to transfer or otherwise dispose of the Pledged Equity Interest.
- 10.4 When any legal action, arbitration or other claim occurs and may have adverse effect on the Company, the Pledged Equity Interest, or the interest of the Pledgee under the Transaction Agreements and this Agreement, the Company undertakes to promptly and timely notify the Pledgee in writing, and, at the reasonable request of the Pledgee, take all necessary actions to ensure the Pledgee's pledge interest in the Pledged Equity Interest.
- 10.5 The Company undertakes to complete the registration of extending the Company's business period three (3) months before the Company's business period expires, to ensure the validity of this Agreement to continue.
- 10.6 The Company will not take or permit actions, behaviors or inactions that may have adverse effect on the interest of the Pledgee under the Transaction Agreements and this Agreement or the Pledged Equity Interest.
- 10.7 The Company will provide the Pledgee with the financial statements of the previous calendar quarter, including but not limited to the balance sheet, the income statement and the cash flow statement, within the first month of every calendar quarter.
- 10.8 The Company undertakes to take all necessary actions and sign all necessary documents (including but not limited to any supplemental agreement to this Agreement) at the reasonable request of the Pledgee, to ensure that the Pledgee may exercise and realize its pledge interest in the Pledged Equity Interest and relevant rights.



- 10.9 The Company undertakes that after execution of this Agreement it will promptly assist the Pledgors to apply for the pledge registration of the Pledge of Equity Interest hereunder with relevant industrial and commercial administration, and provide all necessary cooperation to complete the registration promptly.
- 10.10 The Company will immediately, without any delay, notify the Pledgee of any circumstance that the Pledged Equity Interest held by the Pledgors may be transferred to any third party other than the Pledgee or its designated individual or entity due to any applicable PRC Laws, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

#### **11. Change of Situation**

- 11.1 In addition to and without breaching other provisions of the Transaction Agreements and this Agreement, if the Pledgee believes that maintaining the validity of this Agreement and/or disposing the Pledged Equity Interest in the way specified in this Agreement become illegal or contradict to any laws, regulations or rules, due to the change to the interpretation or application of such laws, regulations or rules or due to the change of relevant registration procedure, the Pledgors and the Company shall immediately take any actions and/or sign any agreements or other documents pursuant to the written instruction and at the reasonable request of the Pledgee, to:
- (a) Maintain the validity of this Agreement;
  - (b) Benefit the disposal of the Pledged Equity Interest in the way specified in this Agreement; and/or
  - (c) Maintain or realize the security created or purported to create under this Agreement.

#### **12. Effectiveness and Term of the Agreement**

- 12.1 This Agreement becomes effective when the Parties properly sign it.
- 12.2 This Agreement shall remain valid until the Contractual Obligations are fully performed or the Secured Debts are fully repaid, whichever is later.

#### **13. Notice**

- 13.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 13.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

#### **14. Miscellaneous**

- 14.1 The Pledgors and the Company agree that after the Pledgee may transfer its rights and/or obligations to any third party after giving notices to the Pledgors and the Company. However, the Pledgors or the Company shall not transfer any right, obligation or liability hereunder to any third party, without the prior written consent of the Pledgee.
- 14.2 The amount of the Secured Debts confirmed by the Pledgee when it exercises the pledge right to the Pledged Equity Interest according to the provisions hereof shall be the conclusive evidence of the Secured Debts hereunder.

- 14.3 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Pledgee.
- 14.4 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 14.5 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 14.6 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.7 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 14.8 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 14.9 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.

- 14.10 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Pledgee transfers its rights hereunder according to Article 14.1.
- 14.11 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The successors or permitted assigns (if any) of the Pledgors and the Company shall continue to perform the obligations of the Pledgors and the Company hereunder. The Pledgors warrant to the Pledgee that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, creditors, liquidators, administrators, and other persons who may obtain the equity in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Pledgors and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Pledgee.
- 14.12 At the same time of signing this Agreement, the Pledgors shall sign a Power of Attorney (“**POA**”, in the form of Exhibit 2 attached hereto), authorizing the person designated by the Pledgee to sign any and all legal documents required for the Pledgee’s exercise any right hereunder on behalf of the Pledgors according to this Agreement. The POA shall be maintained by the Pledgee, and if necessary, the Pledgee may submit the POA with relevant government authority at any time.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Kuntu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:

**Guangzhou Xintu Technology Co., Ltd. (seal)**

Legal representative: Li Chuxu

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

Exhibit 1:

**Basic Information of the Company**

Company name Guangzhou Xintu Technology Co., Ltd.  
Registered address Room 403 (office-use only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District,  
Guangzhou  
Registered capital RMB One hundred million  
Legal representative Li Chuxu  
Shareholding structure:

Shareholder	Shareholding percentage	Subscribed capital contribution (RMB)
Guangzhou Kuntu Technology Co., Ltd.	100%	One hundred million

Exhibit 2:

**Power of Attorney**

I, Guangzhou Kuntu Technology Co., Ltd., hereby irrevocably authorize \_\_\_\_\_ (\_\_\_\_\_), as the agent of the Company, to sign all legal documents required or desired for the exercise by Guangzhou Xiaopeng Motors Technology Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, the Company and Guangzhou Xiaopeng Motors Co., Ltd. in relation to Guangzhou Xintu Technology Co., Ltd..

The Principal: Guangzhou Kuntu Technology Co., Ltd.

(Seal)

Legal Representative: Li Chuxu

(Signature)

Date:



**Power of Attorney**

**Between**

**Guangzhou Kuntu Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Xintu Technology Co., Ltd.**

**In relation to Guangzhou Xintu Technology Co., Ltd.**

**August 12, 2021**

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## Power of Attorney

This Power of Attorney (“**Agreement**”) is made by the following parties on August 12, 2021 (“**Execution Date**”):

1. Guangzhou Kuntu Technology Co., Ltd.. (“**Existing Shareholder**”)  
Registered address: Room 306 (office-used only), No. 8 Songgang Street, Cencun, Changxing Avenue, Tianhe District, Guangzhou  
Legal Representative: Li Chuxu.
2. Guangzhou Xintu Technology Co., Ltd. (“**Company**”)  
Registered address: Room 403 (office-used only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Legal representative: Li Chuxu.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”)  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### **Whereas,**

1. On the execution date of this Agreement, the Existing Shareholders is the sole shareholder of the Company and holder 100% of shares.
2. The Existing Shareholders intend to entrust the person designated by the WFOE to exercise their voting powers and decision-making powers in the Company, and the WFOE intends to designate the person to accept the entrustment.

**Now, therefore,** the Parties agree as follows upon consensus through negotiation:

### **1. Grant of Proxy Powers**

- 1.1 The Existing Shareholders hereby irrevocably undertake that after the execution of this Agreement, they will respectively sign a Power of Attorney in the substance and form as shown in Schedule 1 hereto, authorizing any director or the successor of the director (including the liquidator who replaces the director and his successor) of the WFOE or its direct or indirect shareholders designated by the WFOE, excluding persons who are not independent or will have conflicts of interest, and for the avoidance of doubt, such proxies shall not include the Existing Shareholders and shall not be the “contacts” of the Existing Shareholders as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “**Proxies**”), to exercise the following rights enjoyed by the Existing Shareholders as shareholders of the Company according to the Articles of Association of the Company then in effect on their behalf (hereinafter referred to as “**Entrusted Rights**”):
  - (a) Representing the Existing Shareholders to propose to convene and attend the shareholders’ meeting of the Company according to the Articles of Association;
  - (b) Representing the Existing Shareholders to exercise voting rights on all matters to be discussed and resolved at the shareholders’ meeting, sign meeting minutes, and make and sign resolutions, including but not limited to: appointing and electing directors, supervisors and other senior management personnel of the Company to be appointed and removed by shareholders; disposing of assets of the Company; amending the Articles of Association; dissolving or liquidating the Company, forming a liquidation group on behalf of the Existing Shareholders, and exercising the powers enjoyed by the liquidation group during the liquidation period according to law;

- (c) Representing the Existing Shareholders to submit any required documents to relevant company registration agencies or other relevant authorities;
- (d) Any shareholders' rights and other shareholders' voting rights provided in applicable laws and regulations of China and the Articles of Association (including any other shareholders' rights and voting rights stipulated under the Articles of Association as amended);
- (e) Subject to subsection (b) of section 1.1, when the Existing Shareholders transfer their equity in the Company, agree to the transfer of the Company's assets, reduce their capital contribution to the Company, or accept the additional capital contribution by the WFOE to the Company according to the Exclusive Option Agreement signed by the Existing Shareholders on the Execution Date, signing relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders' decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase, on behalf of the Existing Shareholders;
- (f) Subject to the laws and regulations of China and the Articles of Association, instructing the directors and senior management personnel of the Company to act at the instructions of the WFOE and its designee.

The above authorization of Powers is subject to consent of WFOE. When and only if the WFOE issues to the Existing Shareholders a written notice of removing or replacing the Proxy, the Existing Shareholders shall immediately entrust other person designated then by the WFOE to exercise the above Powers. The new authorization shall supersede the original one immediately after it is made. Except the foregoing, the Existing Shareholders shall not revoke any authorization to or Powers of the Proxy.

- 1.2 The Proxy shall perform his/her duties diligently and carefully to the extent of the Powers hereunder. The Existing Shareholders shall acknowledge and assume corresponding liabilities for any legal consequences of exercising the above Powers by the Proxy.
- 1.3 The Existing Shareholders hereby acknowledge that the Proxy is not required to seek for opinions of the Existing Shareholders when exercising the above Powers.

## **2. Right of Information**

- 2.1 The Proxy has the right to know relevant information of the operation, business, client, finance, employee, etc. of the Company, and consult relevant documents of the Company, to exercise the Powers. The Company and the Existing Shareholders shall provide full cooperation.

## **3. Exercise of the Powers**

- 1.1 The Existing Shareholders shall provide full assistance for the Proxy to exercise the Powers, including prompt signing of the shareholders' decision made by the Proxy or other related legal documents when necessary (for example, to meet the requirements of the government authority on submitting documents for approval, registration, and filing).
- 1.2 If it is unable to grant or exercise the Powers due to any reason (except the breach of the Existing Shareholders or the Company) at any time during the term of this Agreement, the Parties shall immediately seek an alternative closed to the unachievable provisions, and enter into a supplemental agreement when necessary to amend or adjust the provisions, to ensure the purpose of this Agreement can be achieved.

**4. Exemption of Liability and Indemnification**

- 4.1 The Parties acknowledge that in no event will the WFOE be liable in any way to other Parties or any third party or make any economic or other compensation with respect to the exercise by the person designated by it of the Powers.
- 4.2 The Existing Shareholders and the Company agree to indemnify the WFOE and hold the WFOE harmless from all losses the WFOE suffers or may suffer from the exercise by the Proxy of the Powers, including but not limited to any losses arising from any litigation, demand, arbitration, claim or assertion of rights by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of the Proxy.

**5. Representations and Warranties**

5.1 The Existing Shareholders hereby represent and warrant that:

- (a) The Existing Shareholder is a properly-registered limited liability company and is in good standing with full capacity for civil acts according to the PRC Laws, and full legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder. This Agreement is executed and delivered by them legally and properly, constitutes legal and binding obligations of them, and is enforceable against them according to its terms.
- (d) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on August 12, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- (e) The Existing Shareholders shall not make any proposal, claim or request to amend, modify, terminate or otherwise change the articles of association of the Company, without consent of the WFOE.

5.2 The Existing Shareholders hereby irrevocably undertake to the WFOE that they will immediately, without any delay, notify the WFOE of any circumstance that the equity held by them in the Company may be transferred to any third party other than the WFOE or its designated individual or entity due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

5.3 The WFOE and the Company hereby severally but not jointly represent and warrant that:

- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.

- (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
- 5.4 The Company further represents and warrants that:
- (a) The Existing Shareholders are the registered legal owner of the Company when this Agreement becomes effective, and there is not any third party's rights over the Powers, except for the rights created under this Agreement, the Equity Interest Pledge Agreement and the Exclusive Option Agreement entered into between the Existing Shareholders on August 12, 2021, the Company and the WFOE. According to this Agreement, the Proxy can fully and completely exercise the Powers according to the current articles of association of the Company.
- 5.5 The Company hereby irrevocably undertakes to the WFOE that it will immediately, without any delay, notify the WFOE of any circumstance that the equity held by the Existing Shareholders in the Company may be transferred to any third party other than the WFOE or the individual or entity designated by the WFOE due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

## **6. Term of Agreement**

- 6.1 Subject to Article 6.2 and Article 6.3, this Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of August 12, 2021. This Agreement shall be valid for twenty (20) years, unless the Parties terminate it in writing in advance, or this Agreement is early terminated according to Article 9.1 hereof. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless the WFOE notifies the other Parties thirty (30) days in advance that this Agreement will not be renewed.
- 6.2 Where the business period of the Company or the WFOE expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of the Company or the WFOE expires.
- 6.3 If the Existing Shareholders transfer their whole equity in the Company upon prior consent of the WFOE, or no longer hold any equity in the Company after reduction of the Company's capital, they will no longer be Parties to this Agreement (subject, however, to Articles 4, 5.1, 6, 7, 8, 9, and 10) and this Agreement shall terminate when the Existing Shareholders have completed relevant obligations of assistance hereunder, all required documents have been properly signed, and relevant internal corporate procedure of the Company and the approval, registration, filing and other procedure of the government have been completed.

## **7. Notice**

- 7.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 7.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **8. Confidentiality Obligations**

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 8.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the termination of this Agreement.

## **9. Liabilities for Breach of Contract**

- 9.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and each of the other Parties (“**Non-breaching Parties**”) has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholders or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
  - (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 9.1, the Company and the Existing Shareholders further acknowledge and agree that their breach of Article 5 hereof will constitute a material breach of this Agreement.

- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.

## **10. Miscellaneous**

- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.

### 10.3 Dispute Resolution

- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
  - (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
  - (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
  - (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws ("**Party's Rights**") will constitute waiver of such rights, and no single or partial waiver of the Party's Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 10.8 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 10.9.
- 10.9 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.

10.10 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholders warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholders and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

*[The remainder of this page is intentionally left blank. Signature page follows.]*



**Guangzhou Kuntu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:

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[Signature page of the Power of Attorney ]

**Guangzhou Xintu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Kuntu Technology Co., Ltd. on August 12, 2021 and issued to \_\_\_\_\_  
(\_\_\_\_\_) (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers of mine, as a shareholder of Guangzhou Xintu Technology Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on my behalf, including but not limited to nominating and appointing directors of the Company and other officers to be appointed and removed by shareholders;
- (2) Exercising, as my agent, other shareholder’s voting powers specified in the articles of association of the Company (including any other shareholder’s voting powers specified in amended the articles of association of the Company); and
- (3) When I transfer my equity in the Company, agree to the transfer of the Company’s assets, reduce my capital contribution to the Company, or accept the additional capital contribution by the Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as my agent, relevant equity transfer agreement, asset transfer agreement (if applicable), capital reduction agreement, capital increase agreement, shareholders’ decision and other relevant documents, and completing the governmental approval, registration, filing and other procedures required for such transfer, capital reduction or capital increase.

I hereby irrevocably acknowledge that unless the WFOE issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between the WFOE, the Company and the Existing Shareholders on August 12, 2021 expires or terminates early.

[No text below.]

**Guangzhou Kuntu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu (Signature)

Date: August 12, 2021

**Loan Agreement**

**Between**

**Guangzhou Kuntu Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**August 12, 2021**

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## Loan Agreement

This loan agreement (“**Agreement**”) is made by the following parties on August 12, 2021 (“**Execution Date**”):

1. Guangzhou Kuntu Technology Co., Ltd. (“**Borrower**”)  
Registered address: Room 306 (office-used only), No. 8 Songgang Street, Cencun, Changxing Avenue, Tianhe District, Guangzhou  
Legal Representative: Li Chuxu.
2. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**Lender**”).  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Borrower intends to use the Loan (as defined below) for its operation in accordance with terms and conditions of this Agreement; and
2. The Lender intends to provide the Loan to the Borrower in accordance with terms and conditions of this Agreement.

The Parties agree as follows to specify their rights and obligations under the Loan arrangement:

### 1. Definitions

- 1.1 In this Agreement:

“ <b>Domestic Company</b> ”	Means Guangzhou Xintu Technology Co., Ltd., a limited liability company established in China.
“ <b>Loan</b> ”	Means the loan provided by the Lender to the Borrowers under Article 2.1 hereof in one lump sum or in installments, the principal of which amounts to RMB two million (RMB2,000,000).
“ <b>Loan Term</b> ”	Has the meaning set forth in Article 4.1 hereof.
“ <b>Outstanding Amount</b> ”	Means the amount under the Loan that has not been repaid by the Borrowers.
“ <b>Repayment Notice</b> ”	Has the meaning set forth in Article 4.2 hereof.
“ <b>China</b> ”	Means the People’s Republic of China, for purpose hereof, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan.
“ <b>Confidential Information</b> ”	Has the meaning set forth in Article 6.1 hereof.
“ <b>Prohibited Transactions</b> ”	Has the meaning set forth in Article 7.1 hereof.
“ <b>Prohibited Documents</b> ”	Has the meaning set forth in Article 7.1 hereof.
“ <b>Party’s Rights</b> ”	Has the meaning set forth in Article 10.5 hereof.

- 1.2 The terms used in this Agreement have the following meanings:
- “**Articles**” means the articles of this Agreement, unless the context requires otherwise;
- “**Taxes**” shall be interpreted to include any taxes, costs, duties or other charges of the same nature (including but not limited to any penalty or interest on any unpaid or delayed taxes); and
- “**Borrowers**” and “**Lender**” shall be interpreted to include their respective successors and assigns.
- 1.3 Unless the context requires otherwise, any reference to this Agreement or any other agreement or document shall be interpreted to include any amendment, modification, replacement or supplement to this Agreement and other agreement or document that have already made or may be made from time to time.
- 2. Loan**
- 2.1 Subject to the terms and conditions of this Agreement, the Lender agrees to provide the Loan in the principal of RMB two million (RMB2,000,000) to the Borrowers.
- The Borrowers may only use the Loan for its operation activities approved by the Lender.
- Without the prior written consent of the Lender, the Borrowers shall not use part or all of the Loan for any other purpose.
- 2.2 The Parties agree that the Loan may be provided in one lump sum or in installments by the Lender and/or any third party designated by the Lender. The Parties acknowledge that the Lender and/or any third party designated by the Lender shall provide the Loan to the Borrowers in the full amount set forth under Article 2.1 within 360 days from the execution of this Agreement.
- 2.3 The Parties acknowledge that the Borrowers shall perform the repayment obligation and other obligations hereunder to the Lender according to the provisions of this Agreement.
- 2.4 The Borrowers have entered into the equity interest pledge agreement with the Lender on the Execution Date according to the requirement of the Lender, and created a pledge in favor of the Lender over their whole equity in the Domestic Company as the security for performance of the Borrowers’ obligations hereunder (including but not limited to repaying the Outstanding Amount according to the provisions hereof).
- 3. Interest**
- 3.1 The Lender acknowledges that the interest on the Loan will be settled on a calendar year basis (in case of less than one year, settled based on the result of the actual number of days / 365 days), and at the Shanghai Interbank Offered Rate, provided that the Borrowers do not breach this Agreement.
- 4. Repayment**
- 4.1 This Agreement is formed when both Parties formally sign it, and, once formed, shall become effective retrospectively from August 12, 2021 (“**Effective Date**”). The loan term hereunder shall start from the Effective Date, and end on the earliest of the following: (i) twenty (20) years after the Execution Date; (ii) the date when the Lender’s business term expires; or (iii) the date when the Domestic Company’s business term expires (“**Loan Term**”). When the Loan Term expires, unless the Parties agree through negotiation to renew the Loan, the Borrowers shall repay the whole Outstanding Amount in one lump sum on the date when the Loan Term expires. In such case, subject to applicable laws and regulations, the Lender may accept payment of the Transfer Price of the Option Equity (as defined in the Exclusive Option Agreement) by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties.

4.2 During the Loan Term, the Lender may decide in its absolute sole discretion to accelerate the Loan at any time, and issue a repayment notice (“**Repayment Notice**”) to any Borrower ten (10) days in advance, requesting the Borrower to repay the Outstanding Amount in whole or in part according to the provisions of this Agreement.

In the event that the Lender requests the Borrowers to repay the Outstanding Amount according to the above paragraph, subject to the applicable laws and regulations, the Lender may accept payment of the Transfer Price of the designated equity by offsetting the claim owned by the Lender against the Borrowers in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrowers, and other relevant parties on the Execution Date. The ratio of the equity to be purchased to the equity held by the Lender on the date when it completes the subscription of the registered capital of the Domestic Company, shall be the ratio of the part of the Outstanding Amount required to be repaid in the Repayment Notice to the total Loan amount borrowed by the Borrowers according to this Agreement.

Notwithstanding the above provisions, the Loan will become due and payable immediately if:

- (a) the Domestic Company is dissolved and goes into liquidation, or the Domestic Company goes into bankruptcy;
- (b) the Borrowers are no longer the shareholders of the Domestic Company;
- (c) part or whole of the equity held by the Borrowers in the Domestic Company is transferred to any individual or entity other than the Lender and/or its designated individual or entity due to any applicable law, or the decision or award of any court or arbitrator (including but not limited to due to repayment of any debt) (“**Involuntary Equity Transfer**”);
- (d) the Lender decides in its absolute sole discretion that any Involuntary Equity Transfer may occur.

4.3 The Parties agree and acknowledge that the Borrowers shall repay the corresponding Outstanding Amount in cash (or in other form specified in the resolution properly passed by the board of directors of the Lender).

4.4 When the Borrowers repay the Outstanding Amount according to this Article 4, if the Lender elects to purchase the equity in the Domestic Company according to Article 4.1 or Article 4.2, the Parties shall complete the equity transfer simultaneously, and ensure that the Lender or any third party designated by the Lender has accepts transfer of the corresponding equity in the Domestic Company free of any pledge or other forms of encumbrances legally and wholly in accordance with the above provisions at the same time of repayment of the Outstanding Amount. When the transfer of equity in the Domestic Company is carried out according to the above provisions, the Borrowers shall provide all reasonable cooperation and waive any right of first refusal they have.

4.5 The Borrowers will not assume any repayment obligation hereunder when they transfer their whole equity in the Domestic Company to the Lender or any third party designated by the Lender and fully repay the Outstanding Amount according to Article 4 hereof.

## 5. Taxes

5.1 The taxes relating to the Loan shall be borne by the Parties respectively according to law.



## 6. Confidentiality Obligations

- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.

## 7. Undertakings and Warranties

- 7.1 The Borrowers hereby undertake and warrant that without prior written consent of the Lender, they will not make or authorize others (including but not limited to the directors of the Domestic Company they nominate) to make any resolution, instruction, consent or order, agreeing, authorizing or procuring the Domestic Company to carry out any transactions that will or may have material effect on the assets, rights, obligations or business of the Domestic Company (including its branches and/or subsidiaries) (“**Prohibited Transactions**”), including but not limited to:
- (a) Borrowing or incurring any debt from any third party (except the debt with a single amount of no more than RMB 100,000, or the debts with an aggregate amount of no more than RMB 100,000 within six (6) consecutive months, incurred during the normal course of business);
  - (b) Providing any security in favor of any third party for its own debt, or providing any security for any third party;
  - (c) Transferring any business, material asset, or actual or potential business opportunity to any third party;
  - (d) Transferring or licensing to any third party any domain name, trademark or other intellectual property to which the Domestic Company holds legal title, or disposing of the material asset of the Domestic Company in other forms;
  - (e) Transferring to any third party part or all of their equity in the Domestic Company; or
  - (f) Other major transactions;
- or enter into any agreement, contract, memorandum or other forms of transaction documents on the Prohibited Transactions (“**Prohibited Documents**”), nor permit, through action or inaction, the making of any Prohibited Transactions or signing of any Prohibited Documents.

- 7.2 The Borrowers will procure the directors and officers of the Domestic Company to strictly comply with the provisions hereof when they perform their duties in the capacity of directors or officers of the Domestic Company, and will not take any action or inaction in contradiction with the above undertaking.
- 7.3 The Borrowers will immediately, without any delay, notify the Lender of any circumstance that the equity held by them in the Domestic Company may be transferred to any third party other than the Lender or the individual or entity designated by the Lender due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.
- 8. Notice**
- 8.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 8.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.
- 9. Liabilities for Breach of Contract**
- 9.1 The Borrowers irrevocably undertake that if the Lender suffers or incurs any action, charge, claim, cost, damage, request, expense, liability, loss or proceeding due to their breach of any obligation hereunder, they shall be liable for corresponding damages to the Lender. The Borrowers further acknowledge and agree that their breach of Article 7 hereof shall constitute a material breach of this Agreement.
- 9.2 Notwithstanding any other provisions hereof, this Article 9 shall survive the suspension or termination of this Agreement.
- 10. Miscellaneous**
- 10.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the Lender.
- 10.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.
- 10.3 Dispute Resolution
- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
- (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
- (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.

- (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
  - (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
  - (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 10.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 10.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 10.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 10.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 10.8 This Agreement shall supersede all oral or written agreements, understandings and communications concluded by the Parties. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the Lender transfers its rights hereunder according to Article 10.9.
- 10.9 Without prior written consent of the Lender, the Borrowers shall not transfer their right and/or obligation hereunder to any third party. Upon notice to the other Parties, the Lender has the right to transfer any right hereunder to any third party designated by it.
- 10.10 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Borrowers warrant to the Lender that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, liquidators, administrators, creditors and other persons who may obtain the equity in the Domestic Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Borrowers shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the Lender.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Kuntu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:

**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Exclusive Service Agreement**

**Between**

**Guangzhou Xintu Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**August 12, 2021**

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## Exclusive Service Agreement

This exclusive service agreement (“**Agreement**”) is made by the following parties on August 12, 2021:

1. Guangzhou Xintu Technology Co., Ltd. (“**Party A**”)  
Registered address: Room 403 (office-used only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Legal representative: Li Chuxu
  2. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**Party B**”)  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng
- (Each of Party A and Party B is hereinafter referred to collectively as the “**Parties**” and individually as a “**Party**”.)

### Recitals:

Whereas, Party A is a limited liability company established and legally existing in Guangzhou, with its business scope being “information technology consulting service; information consulting services (excluding information consulting services subject to licensing); geographic and remote sensing information services; data processing services; data processing and storage support services; investment activities with self-owned funds; socio-economic consulting services; enterprise management consulting; enterprise management; engineering and technology research and experimental development; AI application software development; AI basic software development; software development; digital content production services (excluding publishing and distribution); digital cultural and creative content application service; software sales; retail of computer software, hardware and auxiliary equipment; wholesale of computer software, hardware and auxiliary equipment; information system integration service; communication equipment sales; satellite remote sensing data processing; technical service, technical development, technical consultation, technical exchange, technical transfer and technical promotion; navigation terminal manufacturing; AI public data platform; general mechanical equipment installation service; professional repair of radar and radio navigation equipment; manufacturing of special instruments for navigation, surveying and mapping, meteorology and oceanography;

Whereas, Party B is a limited liability company registered and legally existing in Guangzhou, with its business scope being “engineering and technology research and experimental development; wholesale of auto parts; sales of distributed AC charging piles; sales of motor vehicle charging; centralized fast charging station; car rental; industrial design services; sales of new energy vehicles; sales of new vehicles; communication equipment manufacturing; Internet sales (except for sales of goods that require licensing); manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; sales of electrical equipment; manufacturing of power electronic devices and components; sales of power electronic devices and components; software sales; software development; technical service, technical development, technical consultation, technical exchange, technical transfer and technical promotion; information technology consulting service; motor vehicle repair and maintenance; non-residential real estate leasing; mechanical equipment leasing; warehousing equipment leasing service; import and export of technology; import and export of goods;

Whereas, Party A needs Party B to provide the services related to Party A’s Business (as defined below) and Party B agrees to provide such services to Party A.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

1.1 The following terms used in this Agreement have the meanings below, unless this Agreement stipulates otherwise or the context requires otherwise:

- “Party A’s Business”** Means the business activities conducted and developed by Party A at the present or at any time during the term of this Agreement.
- “Services”** Means the services provided by Party B within its business scope to Party A exclusively with respect to Party A’s Business, including but not limited to:  
engineering and technology research and experimental development; wholesale of auto parts; sales of distributed AC charging piles; sales of motor vehicle charging; centralized fast charging station; car rental; industrial design services; sales of new energy vehicles; sales of new vehicles; communication equipment manufacturing; Internet sales (except for sales of goods that require license); manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; sales of electrical equipment; manufacturing of power electronic devices and components; sales of power electronic devices and components; software sales; software development; technical service, technical development, technical consultation, technical exchange, technical transfer and technical promotion; information technology consulting service; motor vehicle repair and maintenance; non-residential real estate leasing; mechanical equipment leasing; warehousing equipment leasing service; import and export of technology; import and export of goods.
- “Annual Business Plan”** Means the business development plan and budget report of Party A for the next calendar year prepared by Party A with the assistance of Party B before November 30 of each year according to this Agreement.
- “Service Fee”** Means all fees payable by Party A to Party B for the Services provided by Party B according to Article 3 hereof.
- “Business-related IP”** Means any and all intellectual properties developed by Party A based on the Services provided by Party B hereunder with respect to Party A’s Business.
- “Confidential Information”** Has the meaning set forth in Article 6.1 hereof.
- “Breaching Party”** Has the meaning set forth in Article 12.1 of this Agreement.
- “Breach”** Has the meaning set forth in Article 12.1 of this Agreement.
- “Party’s Rights”** Has the meaning set forth in Article 14.5 of this Agreement.

1.2 Any reference to any laws and regulations (“Laws”) shall be reference to:

- (a) those Laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
- (b) other decisions, notices and regulations prepared or effective under the Laws.



1.3 Unless the context indicates otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## **2. Services**

2.1 During the term of this Agreement, party A entrusts exclusively Party B to provide the Services, and Party B shall diligently provide Party A with the Services according to the needs of Party A's Business. The Parties understand that Party B's actual provision of Services is subject to Party B's approved business scope. If the Service requested to be provided by Party A exceeds Party B's approved business scope, Party B shall apply for expanding its business scope to the maximum extent permitted by Laws, and continue to provide relevant Service after the expansion of its business scope is approved.

2.2 Party B shall communicate and exchange relevant information of Party A's Business with Party A, to provide the Services hereunder.

2.3 Notwithstanding any other provisions hereof, Party B has the right to designate any third party to provide the Services hereunder in whole or in part, or delegate the third party to perform its obligations hereunder. Party A hereby agrees that Party B has the right to transfer its rights and obligations hereunder to any third party.

## **3. Service Fee**

3.1 In respect of the Services provided by Party B according to this Agreement, Party A shall pay the Service Fee to Party B according to the following provisions:

3.1.1 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B on an annual basis for the Services provided by Party B to Party A in each calendar year of the term of this Agreement.

3.1.2 Upon agreement by the Parties through negotiation, Party A shall pay relevant Service Fee to Party B separately for the specific Services provided by Party B to Party A from time to time at the request of Party A.

3.2 Party B shall promptly issue payment notice and special VAT invoice to Party A and settle annually. Party A shall pay Party B the above Service Fee (tax inclusive) within one month after receiving the invoice.

3.3 The Parties agree that to extent that the scope of Service and the amount of the Service Fee specified in Article 3.1 and Article 3.2 do not violate any mandatory provisions of laws and regulations, the Parties shall determine and adjust according to the proposal made by Party B from time to time. Party A shall not reject Party B's proposal without any reasonable cause.

3.4 The Parties shall assume their respective taxes and obligations of withholding (if any) according to the applicable laws.

## **4. Obligations of Party A**

4.1 Party B's services hereunder are exclusive. During the term of this Agreement, without the prior written consent of Party B, Party A shall not enter into any agreement with any other third party or accept from such third party any other service same as or similar to the services provided by Party B.

4.2 Party A shall provide Party B with its definitive Annual Business Plan for the next year before November 30 of each year so that Party B may prepare corresponding service plan and arrange the required manpower and service capacity. If Party A needs any manpower to be arranged by Party B temporarily, it shall negotiate with Party B fifteen (15) days in advance to reach an agreement.

- 4.3 To facilitate the provision of the Services by Party B, at the request of Party B, Party A shall provide Party B with the information required by Party B.
- 4.4 Party A shall pay the Service Fee to Party B promptly and fully according to the provisions of Article 3 hereof.
- 4.5 Party A shall maintain its own good reputation, actively expand its business, and strive to maximize its revenue.
- 4.6 During the term of this Agreement, Party A agrees to cooperate with Party B and Party B's parent company (whether direct or indirect) to carry out audits on related-party transactions or other issues and provide relevant information and material relating to Party A's operation, business, client, finance, employee, etc. to Party B and Party B's parent company or the auditor appointed by Party B, and agrees that Party B's parent company may disclose such information or material to meet the requirements of the regulators in the place where the securities of Party B's parent company are listed.

## 5. Intellectual Property Rights

- 5.1 The intellectual property rights held originally or obtained during the term of this Agreement by Party B, including the intellectual property rights to the work achievement created during the provision of the Services, shall be owned by Party B.
- 5.2 Since Party A's Business is dependent on the Services to be provided by Party B hereunder, in respect of the intellectual property rights to the business developed by Party A based on the Services, Party A agrees that:
  - (1) if the intellectual property rights to such business are obtained by Party A upon the entrustment of Party B or through the cooperation between Party A and Party B, the ownership and the application right related to relevant intellectual property rights shall be vested in Party B.
  - (2) if relevant intellectual property rights to the business are developed and obtained by Party A independently, the ownership shall be vested in Party A, provided that (A) Party A promptly notifies Party B of the details of such intellectual property rights and provides relevant information reasonably requested by Party B; (B) if Party A intends to license or transfer relevant intellectual property rights to the business, Party A shall first transfer such intellectual property rights to Party B or grant an exclusive license to Party B on such intellectual property rights subject to the mandatory provisions of the laws of China, and Party B may use such intellectual property rights to the extent of the transfer or license (however, Party B has the right to decide whether to accept such transfer or license); Party A can transfer or license such intellectual property rights to any third party only when Party B waives the priority to purchase such intellectual property rights or waives the exclusive license on the conditions not more favorable than those offered to Party B (including but not limited to the transfer price or license royalty), and shall ensure that the third party will fully comply with and perform the obligations of Party A hereunder; (C) except the circumstance specified in the above Item (B), during the term of this Agreement, Party B has the right to purchase relevant intellectual property rights to the business; then Party A shall agree to such purchase subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China.
- 5.3 If Party B is granted the exclusive license to use relevant intellectual property rights to the abovementioned business according to Paragraph (2) of Article 5.2 hereof, the following provisions shall apply:
  - (1) The license period shall be no less than five (5) years (starting from the effective date of relevant license agreement);

- (2) The scope of right under the license shall be as large as possible;
  - (3) During the license period and within the license scope, no other party (including Party A) other than Party B may use or permit others to use such intellectual property rights in whatever forms;
  - (4) Without prejudice to the conditions under Paragraph (3) of Article 5.3, Party A has the right to decide in its sole discretion to authorize any other third party to use such intellectual property rights;
  - (5) When the license period expires, Party B has the right to renew the license agreement and Party A shall agree to such renewal. The original terms of the license agreement shall be maintained, except the changes approved by Party B.
- 5.4 Notwithstanding the provisions of Paragraph (2) of Article 5.2, if relevant intellectual property rights to the business specified in that paragraph can be established only when they are registered according to applicable law, the application for registration shall be carried out according to the following provisions:
- (1) If Party A intends to apply for the registration of the above intellectual property rights, it shall obtain the prior written consent of Party B.
  - (2) Party A may apply for the registration or transfer the application right to any third party only when Party B waives the right to purchase the right to apply for registration of relevant intellectual property rights to the business. Where Party A transfers the above application right to any third party, Party A shall ensure the third party to fully comply with and perform its obligations hereunder. Meanwhile, the conditions on which Party A transfers the application right to the third party (including but not limited the transfer price) shall not be more favorable than the conditions it offers to Party B under Paragraph (3) of Article 5.4.
  - (3) During the term of this Agreement, Party B may request at any time Party A to apply for registration of relevant intellectual property rights to the business, and decide in its sole discretion whether to purchase the above application right. At the request of Party B, Party A shall transfer the application right to Party B subject to the mandatory provisions of the laws of China at the minimum price permitted by the current laws of China. Party B shall become the legal owner of relevant intellectual property rights to the business after it obtains the application right and then applies for and completes the registration of such intellectual property rights.
- 5.5 Each Party undertakes to indemnify the other Party any and all economic losses incurred by the other Party due to the first Party's infringement of other's intellectual property rights (including copyright, trademark, patent, and know-how).

## 6. Confidentiality Obligations

- 6.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement ("**Confidential Information**") regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 6.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or

- (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 6.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 6.4 Notwithstanding any other provisions hereof, this Article 6 shall survive the suspension or termination of this Agreement.

**7. Representations and Warranties of Party A**

Party A hereby represents and warrants to Party B that

- 7.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 7.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.
- 7.3 it shall promptly notify Party B of any circumstance that has or may have material adverse effect on Party A's Business and operation, and use its best effort to prevent the occurrence of such circumstance and/or expansion of loss.
- 7.4 it shall not dispose of any of its material assets in whatever form or change its existing shareholding structure, without the written consent of Party B.
- 7.5 it holds all the business licenses and certificates required for its operation when this Agreement becomes effective, and has full right and qualification to operate Party A's Business currently conducted by it in China.
- 7.6 At the written request of Party B, it shall use all of its current accounts receivable and/or other assets it legally owns and may dispose of as the security for the payment of the Service Fee specified in Article 3 hereof.
- 7.7 it shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.
- 7.8 it shall not enter into any other agreement or arrangement that contradicts to this Agreement or may damage Party B's interest hereunder, without the written consent of Party B.

**8. Representations and Warranties of Party B**

Party B hereby represents and warrants to Party A that

- 8.1 it is a limited liability company duly established and validly existing under the laws of China who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- 8.2 it has full internal power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder. This Agreement is duly executed and delivered by it, constitutes its legal and binding obligations, and is enforceable against it according to the terms hereof.

**9. Term of Agreement**

- 9.1 This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of August 12, 2021. This Agreement shall be valid for twenty (20) years, unless this Agreement expressly provides otherwise or the Parties terminate it by written notice. This Agreement shall renew for one (1) year automatically when its original term or renewal term expires, unless Party B notifies Party A thirty (30) days in advance that this Agreement will not be renewed.
- 9.2 Where the business period of Party A or Party B expires and no approval or registration formalities on extension of the business period is gone through, this Agreement shall terminate when the business period of Party A or Party B expires. The Parties shall complete the approval or registration formalities on extension of their respective business period three (3) months before expiration of their respective business period to renew the term of this Agreement.
- 9.3 The Parties shall continue to perform the obligations under Article 6 hereof when and after this Agreement terminates.

**10. Indemnification**

- Party A shall indemnify Party B and hold Party B harmless from all losses Party B suffers or may suffer from provision of the Services, including but not limited to any losses arising from any litigation, demand, arbitration, or claim by any third party, or any administrative investigation or penalty by any government authority, except for any loss caused by the intentional misconduct or gross negligence of Party B.

**11. Notice**

- 11.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 11.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

**12. Liabilities for Breach of Contract**

- 12.1 The Parties agree and acknowledge that if either Party ("**Breaching Party**") materially breaches any provision hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement ("**Breach**"), and the other Party has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the other Party gives a written notice requesting correction, and if the Breaching Party is Party A, then Party B has the right to (1) terminate this Agreement and request the Breaching Party to compensate all damages; or (2) request the enforcement of the Breaching Party's obligations hereunder and request the Breaching Party to compensate all damages; if the Breaching Party is Party B, then Party A has the right to request the Breaching Party to continue to perform its obligations hereunder and to compensate all damages.
- 12.2 Notwithstanding any provisions of Article 12.1 hereof, the Parties agree and acknowledge that Party A shall not request to terminate this Agreement on whatever grounds and in whatever circumstances, unless the law or this Agreement provides otherwise.

12.3 Notwithstanding any other provisions hereof, this Article 12 shall survive the suspension or termination of this Agreement.

### 13. Force Majeure

Where either Party's performance of this Agreement is directly affected by or either Party is unable to perform this Agreement according to the provisions hereof due to any earthquakes, typhoons, floods, fires, wars, computer viruses, tool software design vulnerabilities, hacker attacks on the Internet, changes in policies or laws, and other force majeure events that are unforeseeable and the consequence of which are unpredictable or unavoidable, the affected Party shall immediately notify the other Party by fax, and within thirty (30) days, provide the details of the force majeure event and the certificate issued by a notary in the place of the force majeure event to prove that this Agreement is unable to perform or its performance needs to be postponed. The Parties shall negotiate to decide whether to waive part performance of this Agreement or to delay the performance based on the effect of the force majeure event on the performance of this Agreement. Neither Party shall be liable for any economic loss of the other Party caused by the force majeure event.

### 14. Miscellaneous

14.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with Party A holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by Party B.

14.2 The conclusion, validity, performance, modification, interpretation and dispute resolution of this Agreement shall be governed by the laws of China.

#### 14.3 Dispute Resolution

14.3.1 Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.

14.3.2 During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.

14.3.3 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.

14.3.4 The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.

- 14.3.5 After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
- 14.3.6 The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.
- 14.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 14.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 14.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 14.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 14.8 Upon execution, this Agreement will replace any other legal documents previously executed by the Parties on the same subject matter. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that Party B transfers its rights hereunder according to Article 14.9.
- 14.9 Without prior written consent of Party B, Party A shall not transfer its right and/or obligation hereunder to any third party. Party A agrees that without its written consent, Party B has the right to transfer unilaterally any right and/or obligation hereunder to any third party, provided that a written notice shall be given to Party A.
- 14.10 This Agreement shall bind and inure to the benefit of the legal assigns, successors and creditors of the Parties and other entities that may obtain the equity interest or relevant rights in the Parties.
- 14.11 The Parties undertake to declare and pay their respective taxes relating to the transaction contemplated hereunder according to law.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Xintu Technology Co., Ltd. (seal)**

Legal representative: Li Chuxu

Signature:



**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Exclusive Option Agreement**

**Between**

**Guangzhou Kuntu Technology Co., Ltd.**

**And**

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**

**And**

**Guangzhou Xintu Technology Co., Ltd.**

**In relation to Guangzhou Xintu Technology Co., Ltd.**

**August 12, 2021**

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## Exclusive Option Agreement

This exclusive option agreement (“**Agreement**”) is made by the following parties on August 12, 2021 (“**Execution Date**”):

1. Guangzhou Kuntu Technology Co., Ltd. (“**Existing Shareholder**”)  
Registered address: Room 306 (office-used only), No. 8 Songgang Street, Cencun, Changxing Avenue, Tianhe District, Guangzhou  
Legal Representative: Li Chuxu.
2. Guangzhou Xintu Technology Co., Ltd. (“**Company**”)  
Registered address: Room 403 (office-used only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Legal representative: Li Chuxu.
3. Guangzhou Xiaopeng Motors Technology Co., Ltd. (“**WFOE**”)  
Registered address: Room 245, No. 333 Jiufojianshe Street, Zhongxingguangzhou Knowledge City, Guangzhou  
Legal representative: Xia Heng

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Existing Shareholder is the registered shareholder of the Company, and legally holds all shares of the Company. As of the date of execution of this Agreement, the subscribed capital contribution of the Existing Shareholder in the registered capital of the Company is RMB100 million, accounting 100% of all shares. The basic information of the Company is shown in Exhibit 1.
2. Subject to the current PRC Laws, the Existing Shareholder is willing to transfer their entire equity interest in the Company to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.
3. Subject to the current PRC Laws, the Company is willing to transfer its assets to the WFOE and/or its designated entity and/or individual, and the WFOE is willing to accept such transfer by itself or through its designated entity and/or individual.
4. Subject to the current PRC Laws, the Company and the Existing Shareholder intend that the capital of the Company will be reduced and then increased by the WFOE or its designated entity and/or individual, and the WFOE is willing to subscribe for such additional capital by itself or by its designated entity and/or individual.
5. In order to effect the above transfer of equity interest and assets, the Existing Shareholder and the Company agree to grant to the WFOE the exclusive and irrevocable Equity Transfer Option and Asset Purchase Option. According to the Equity Transfer Option and Asset Purchase Option, subject to the PRC Laws, the Existing Shareholder or the Company, shall at the request of the WFOE transfer the Option Equity or the Assets (as defined below) to the WFOE and/or its designated entity and/or individual according to the provision hereof. In order to effect the above capital reduction of the Company and the capital increase by the WFOE to the Company, the Existing Shareholder and the Company agree to grant to the WFOE an irrevocable Capital Increase Option. According to the Capital Increase Option, subject to the PRC Laws, the Company shall reduce its capital at the request of the WFOE, and then the WFOE and/or its designated entity and/or individual will subscribe for the Capital Increase Equity (as defined below).

6. The Company agrees that the Existing Shareholder will grant to the WFOE the Equity Transfer Option (as defined below) according to this Agreement.
7. The Existing Shareholder agree that the Company will grant to the WFOE the Asset Purchase Option (as defined below) according to this Agreement.
8. The Company and the Existing Shareholder agree to grant to the WFOE the Capital Increase Option (as defined below) according to this Agreement.

Now, **therefore**, the Parties agree as follows upon consensus through negotiation:

**1. Definitions**

- 1.1 The following terms used in this Agreement have the meanings below, unless the context requires otherwise:

<b>“PRC Laws”</b>	Means the currently valid laws, administrative regulations, administrative rules, local regulations, judicial interpretations and other binding normative documents of the People’s Republic of China.
<b>“Equity Transfer Option”</b>	Means the option granted by the Existing Shareholder to the WFOE according to the terms and conditions hereof to purchase the equity interest of the Company.
<b>“Asset Purchase Option”</b>	Means the option granted by the Company to the WFOE according to the terms and conditions hereof to purchase any asset of the Company.
<b>“Capital Increase Option”</b>	Means the option granted by the Company and the Existing Shareholder to the WFOE according to the terms and conditions hereof to request the Company to reduce its capital (part or all of the Option Equity (as defined below)), and to allow the WFOE and/or its designated entity and/or individual to purchase the newly increased registered capital of the Company.
<b>“Option Equity”</b>	Means the entire equity interest held by the Existing Shareholder in the Registered Capital (as defined below) of the Company, which accounts for 100% of the Registered Capital.
<b>“Registered Capital”</b>	Means the registered capital of the Company of RMB one hundred million (RMB100,000,000) as of the Execution Date, as may be expanded by any capital increase in whatever form during the term of this Agreement.
<b>“Transfer Equity”</b>	Means the equity interest which the WFOE has the right to request the Existing Shareholder to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Equity Transfer Option according to Article 3 hereof, the number of which may be part or all of the Option Equity and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.

<b>“Transfer Assets”</b>	Means the assets of the Company which the WFOE has the right to request the Company to transfer to it and/or its designated entity and/or individual when the WFOE exercises the Asset Purchase Option according to Article 3 hereof, which may be part or all of the assets of the Company and will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Capital Increase Equity”</b>	Means the newly increased Registered Capital which the WFOE and/or its designated entity and/or individual have the right to subscribe for after the reduction of capital of the Company when the WFOE exercises the Capital Increase Option according to Article 3 hereof, the number of which will be determined by the WFOE in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Exercise”</b>	Means the WFOE exercises the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option.
<b>“Transfer Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholder or the Company for acquisition of the Transfer Equity or the Transfer Assets at each Exercise.
<b>“Capital Reduction Price”</b>	Means the entire consideration payable by the Company to the Existing Shareholder for reduction of the Registered Capital at each Exercise of the WFOE.
<b>“Capital Increase Price”</b>	Means the entire consideration payable by the WFOE and/or its designated entity and/or individual to the Company for subscription of the Capital Increase Equity at each Exercise.
<b>“Business Licenses”</b>	Means any approvals, permits, filings, registrations, etc. the Company must hold for legally and validly operating its business, including but not limited to the Business License of Enterprise Legal Person and other relevant permits and certificates that may be required by the current PRC Laws.
<b>“Assets”</b>	Means all tangible and intangible assets that are owned or can be disposed of by the Company during the term of this Agreement, including but not limited to any real property, personal property, trademark, copyright, patent, know-how, domain name, software use right and other intellectual property rights.
<b>“Material Agreements”</b>	Means any agreements to which the Company is a party and which have material effect on the business or assets of the Company, including but not limited to the Exclusive Service Agreement and other material agreements relating to the business of the Company.
<b>“Exercise Notice”</b>	Has the meaning set forth in Article 3.9 of this Agreement.
<b>“Loan Agreement”</b>	Means the Loan Agreement dated August 12, 2021 between the Existing Shareholder and the WFOE.
<b>“Confidential Information”</b>	Has the meaning set forth in Article 8.1 of this Agreement.
<b>“Breaching Party”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Breach”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Non-breaching Party ”</b>	Has the meaning set forth in Article 11.1 of this Agreement.
<b>“Party’s Rights”</b>	Has the meaning set forth in Article 12.5 of this Agreement.

1.2 Any reference to any PRC Laws shall be reference to:

- (a) those laws as amended, modified, supplemented and restated, whether they become effective before or after the conclusion of this Agreement; and
  - (b) other decisions, notices and regulations prepared or effective under the PRC Laws.
- 1.3 Unless the context requires otherwise, any reference to any articles, paragraphs, subparagraphs or items herein are reference to the articles, paragraphs, subparagraphs or items of this Agreement.

## **2. Grant of Equity Transfer Option, Asset Purchase Option and Capital Increase Option**

- 2.1 The Existing Shareholder hereby agree to grant to the WFOE an irrevocable, unconditional and exclusive Equity Transfer Option, according to which the WFOE has the right to request the Existing Shareholder at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholder may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the Option Equity to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Equity Transfer Option.
- 2.2 The Company hereby agrees that the Existing Shareholder will grant to the WFOE the Equity Transfer Option according to the above Article 2.1 and other provisions hereof.
- 2.3 The Company hereby agrees to grant to the WFOE an irrevocable, unconditional and exclusive Asset Purchase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholder may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the part or all of the Assets to the WFOE and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. The WFOE hereby agrees to accept the Asset Purchase Option.
- 2.4 The Existing Shareholder hereby agree that the Company will grant to the WFOE the Asset Purchase Option according to the above Article 2.3 and other provisions hereof.
- 2.5 The Existing Shareholder and the Company hereby agree severally and jointly to grant to the WFOE an irrevocable, unconditional and exclusive Capital Increase Option, according to which the WFOE has the right to request the Company at any time (including but not limited to when the WFOE decides upon its independent judgment that there is the risk that the Existing Shareholder may transfer part or all of their Option Equity to any third party other than the WFOE and/or its designated entity and/or individual according to the requirements of the PRC Laws) to reduce its capital, and, subject to the PRC Laws, the WFOE and/or its designated entity and/or individual have the right to subscribe for any Capital Increase Equity according to the terms and conditions hereof. The WFOE hereby agrees to accept the Capital Increase Option.

## **3. Way of Exercise**

- 3.1 Subject to the terms and conditions hereof and to the extent permitted by the PRC Laws, the WFOE has the absolute sole discretion to decide the time, way and number of its Exercise.
- 3.2 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the equity interest of the Company held by and from the Existing Shareholder to itself and/or its designated entity and/or individual.
- 3.3 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the transfer of part or all of the Assets from the company to itself and/or its designated entity and/or individual.

- 3.4 Subject to the terms and conditions hereof and the current PRC Laws, the WFOE has the right to request at any time the Company to reduce its capital, and to subscribe for the Capital Increase Equity by itself and/or its designated entity and/or individual.
- 3.5 At each Exercise of the Equity Transfer Option, the WFOE has the right to determine the number of Transfer Equity that the Existing Shareholder shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Existing Shareholder shall transfer the Transfer Equity respectively to the WFOE and its designated entity and/or individual according to the number determined by the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Existing Shareholder for the Transfer Equity they receive in each Exercise.
- 3.6 At each Exercise of the Asset Purchase Option, the WFOE has the right to determine the specific Assets that the Company shall transfer to the WFOE and its designated entity and/or individual in the Exercise. The Company shall transfer the Assets to the WFOE and its designated entity and/or individual according to the determination of the WFOE. The WFOE and its designated entity and/or individual shall pay the Transfer Price to the Company for the Transfer Assets they receive in each Exercise.
- 3.7 At each Exercise of the Capital Increase Option, the WFOE has the right to determine the number of capital that the Company shall reduce in the Exercise, and the WFOE has the right to request the Existing Shareholder to reduce their capital contribution to the Company. The Company and the Existing Shareholder shall reduce the capital of the Company according to the number determined by the WFOE. Moreover, the WFOE has the right to determine the number of Capital Increase Equity to be subscribed for by the WFOE and its designated entity and/or individual in each Exercise. The Company shall accept the subscription according to the requirements of the WFOE. The Company shall pay the Existing Shareholder the price for reduction of capital in each reduction of its Registered Capital. The WFOE and its designated entity and/or individual shall pay the Capital Increase Price to the Company for the Capital Increase Equity subscribed in each Exercise.
- 3.8 At each Exercise, the WFOE may accept transfer of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity, or may designate any third party to accept transfer of part or all of the Transfer Equity or the Transfer Assets, or subscribe for the Capital Increase Equity in part or in whole.
- 3.9 When the WFOE decides to exercise its option, it shall send to the Existing Shareholder and/or the Company the Equity Transfer Option Exercise Notice, the Asset Purchase Option Exercise Notice or the Capital Increase Option Exercise Notice (each a “**Exercise Notice**”, in the form of Exhibit 2, Exhibit 3 and Exhibit 4 hereto). After receiving an Exercise Notice, the Existing Shareholder or the Company shall transfer the Transfer Equity or the Transfer Assets wholly to the WFOE and/or its designated entity and/or individual immediately according to Article 3.5 or Article 3.6 hereof, or reduce the capital of the Company according to Article 3.7 hereof, and allow the WFOE and/or its designated entity and/or individual to subscribe for the Capital Increase Equity.

#### **4. Transfer Price, Capital Reduction Price, and Capital Increase Price**

- 4.1 At each Exercise of the Equity Transfer Option, the entire Transfer Price payable by the WFOE and/or its designated entity and/or individual to the Existing Shareholder is the capital contribution amount actually paid in the Registered Capital corresponding to the Transfer Equity. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. The Existing Shareholder, after receiving the Transfer Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.2 At each Exercise of the Asset Purchase Option, the WFOE and/or its designated entity and/or individual shall pay the Company the book value of relevant Assets. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply.

- 4.3 At each Exercise of the Capital Increase Option, the Company shall pay the Capital Reduction Price to the Existing Shareholder who reduce his capital contribution to the Company, and the Capital Reduction Price is the capital contribution amount actually paid in the Registered Capital which is reduced. If the minimum price permitted by the current PRC Laws is higher than the above amount, the minimum price shall apply. Moreover, the entire Subscription Price payable by the WFOE and/or its designated entity and/or individual for subscription of the Capital Increase Equity is the Capital Reduction Price paid by the Company to the Existing Shareholder at the time of capital reduction. The Existing Shareholder, after receiving the Capital Reduction Price, shall immediately use such amount to repay the loan provided by the WFOE under the Loan Agreement.
- 4.4 The taxes incurred due to Exercise of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder according to the applicable laws shall be borne and paid by the Parties respectively.

## 5. Representations and Warranties

5.1 The Existing Shareholder hereby represent and warrant that

- (a) The Existing Shareholder is a properly-registered limited liability company and is in good standing with full capacity for civil acts according to the PRC Laws, and full legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (b) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) The Existing Shareholder has full power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and have full power and authority to complete the transaction contemplated hereunder.
- (d) This Agreement constitutes their legal and binding obligations, and is enforceable against them according to the terms hereof.
- (e) The Existing Shareholder is the registered legal owner of the Option Equity when this Agreement becomes effective, and there is not any lien, pledge, claim, other security interest or third party's rights over the Option Equity, except for the Equity Transfer Option and the Capital Increase Option created hereunder, the pledge created under the Equity Interest Pledge Agreement dated August 12, 2021 between the Company, the WFOE and the Existing Shareholder, and the proxy created under the Power of Attorney dated August 12, 2021. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Transfer Equity free of any lien, pledge, claim, other security interest or third party's rights.
- (f) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created hereunder. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.

5.2 The Company hereby represents and warrants that

- (a) The Company is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.



- (b) The Company has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
  - (c) This Agreement is legally and properly executed and delivered by the Company, and constitutes the legal and binding obligations of the Company.
  - (d) There is not any lien, mortgage, claim, other security interest or third party's rights over the Assets, except for the Asset Purchase Option created under this Agreement. According to this Agreement, after Exercise the WFOE and/or its designated entity and/or individual will obtain good title to the Assets free of any lien, mortgage, claim, other security interest or third party's rights.
- 5.3 The WFOE represents and warrants that
- (a) It is a limited liability company duly established and validly existing under the PRC Laws who has separate legal personality, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
  - (b) It has full internal corporate power and authority to execute, deliver and perform this Agreement and all other documents relating to the transaction contemplated hereunder and to be executed, and has full power and authority to complete the transaction contemplated hereunder.
  - (c) This Agreement is legally and properly executed and delivered by the WFOE, and constitutes its legal and binding obligations.

## **6. Undertakings of the Existing Shareholder**

The Existing Shareholder hereby irrevocably undertake as follows:

- 6.1 During the term of this Agreement, without the prior written consent of the WFOE, they will not:
- (a) transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity;
  - (b) increase or reduce the Registered Capital, or procure the Company to merge with other entity;
  - (c) dispose of, or procure the management of the Company to dispose of, any material Assets (except for those occurred in the ordinary course of business);
  - (d) terminate, or procure the management of the Company to terminate, any Material Agreements signed by the Company, or enter into any other agreement conflicting with the existing Material Agreements;
  - (e) appoint, remove or replace any of the Company's directors, supervisors or other officers to be appointed and removed by the Existing Shareholder;
  - (f) procure the Company to declare or distribute any distributable profit, bonus or dividend;
  - (g) take any action or behavior (including inaction) to affect the valid existence of the Company, nor take any act that may cause the Company to terminate, liquidate or dissolve;
  - (h) amend the Company's articles of association; or
  - (i) take any action or behavior (including inaction) to have the Company provide or borrow any loan, or provide any guarantee or other forms of security, or assume any material obligation outside of the ordinary course of business.
- 6.2 During the term of this Agreement, they will use their best efforts to develop the Company's business and ensure the Company's operation in compliance with laws and regulations, and will not take any act or inaction that may damage the Company's Assets or goodwill or affect the validity of the Company's Business Licenses.

- 6.3 During the term of this Agreement, they will promptly notify the WFOE any circumstance that may have material adverse effect on the existence, business, operation, finance, assets or goodwill of the Company, and promptly take all measures approved by the WFOE to exclude such circumstances or take other valid remedial measures.
- 6.4 Once the WFOE issues the Exercise Notice, the Existing Shareholder will:
- (a) immediately agree, through shareholder's resolution or other necessary actions, to the transfer the whole Transfer Equity or Transfer Assets from the Existing Shareholder or the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of the Company's capital, and accept the subscription by the WFOE and/or its designated entity and/or individual of the Company's Capital Increase Equity, as the case may be;
  - (b) with respect to the Equity Transfer Option, immediately sign the equity transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Equity to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Equity and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Equity;
  - (c) with respect to the Capital Increase Option, immediately sign the capital reduction agreement with the Company in the form and substance satisfactory to the WFOE, and assist and cooperate with the Company to go through the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction of the Company and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.
- 6.5 If the Transfer Price from transfer of the Transfer Equity, or the Capital Reduction Price from the reduction of the Company's capital, and/or the distribution of the remaining property of the Company in case of the termination, liquidation or other circumstance of the Company, received by the Existing Shareholder, is higher than their capital contribution to the Company, or if they receive any forms of profit distribution, bonus or dividend from the Company, they agree and acknowledge that subject to the PRC Laws they will not enjoy the income of the premiums and any profit distribution, bonus or dividend (after deducting relevant taxes) and such income and profit distribution, bonus or dividend will be vested in the WFOE. The Existing Shareholder will instruct relevant receiving party or the Company to pay the income to the bank account designated by the WFOE.
- 6.6 They irrevocably agree to the execution and performance by the Company of this Agreement, and will assist the Company with the execution and performance of this Agreement, including but not limited to signing all necessary documents or the documents required by the WFOE and taking all necessary actions or the actions required by the WFOE, and will not take any action or inaction to prevent the WFOE from claiming and realizing any right hereunder.
- 6.7 They will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by them may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once they know or should have known such circumstance.

**7. Undertakings of the Company**

7.1 The Company hereby irrevocably undertakes that

- (a) If the execution and performance of this Agreement and the grant of the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option hereunder are subject to any consent, permission, waiver or authorization of any third party or the approval, permit, waiver, registration or filing (if required by law) of any government authority, it will use its best effort to assist to meet the above conditions.
- (b) Without prior written consent of the WFOE, it will not assist or permit the Existing Shareholder to transfer or otherwise dispose of any Option Equity or create any security interest or other third party's right over the Option Equity.
- (c) Without prior written consent of the WFOE, it will not transfer or otherwise dispose of any material Assets (except for the disposal occurred in the ordinary course of business) or create any security interest or other third party's right over the Assets.
- (d) It will not take or permit any action or behavior that may have adverse effect on the WFOE's interest hereunder, including but not limited to any action or behavior subject to Article 6.1.
- (e) It will immediately, without any delay, notify the WFOE of any circumstance that the Option Equity held by any Existing Shareholder may be transferred to any third party other than the WFOE and/or its designated entity and/or individual due to any applicable law, the decision or award of any court or arbitrator, or any other reasons, once it knows or should have known such circumstance.

7.2 Once the WFOE issues the Exercise Notice,

- (a) The Company shall procure the Existing Shareholder to agree, through shareholders' resolution or taking of other necessary actions, to the transfer of the whole Transfer Assets from the Company to the WFOE and/or its designated entity and/or individual at the Transfer Price, or to the reduction of capital of the Company, and to allow the WFOE and/or its designated entity and/or individual to subscribe for the whole Capital Increase Equity at the Capital Increase Price, as the case may be;
- (b) with respect to the Asset Purchase Option, the Company will immediately sign the asset transfer agreement with the WFOE and/or its designated entity and/or individual, transfer the whole Transfer Assets to the WFOE and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to the WFOE (including providing and executing all related legal documents, performing all government approvals and registration formalities, and assuming all relevant obligations) according to the request of the WFOE and the laws and regulations, so that the WFOE and/or its designated entity and/or individual will obtain the whole Transfer Assets and no legal defect, security interest, third party's right or other restriction will exist over the Transfer Assets.
- (c) with respect to the Capital Increase Option, the Company will immediately sign the capital reduction agreement with the Existing Shareholder in the form and substance satisfactory to the WFOE and the amended and restated articles of association (amendment to the articles of association of the Company), and the Company will go through, and the Existing Shareholder shall procure the Company to go through, the capital reduction formalities (including but not limited to notifying the creditors, making announcement on the capital reduction, signing all related legal documents, performing all government approval and registration formalities, and assuming all related obligations), so that the Company will successfully complete the capital reduction and the WFOE and/or its designated entity and/or individual will successfully complete the subscription of the Capital Increase Equity.

## **8. Confidentiality Obligations**

- 8.1 Each Party shall keep strict confidential the business secrets, proprietary information, client information and other confidential information of the other Party obtained during the execution and performance of this Agreement (“**Confidential Information**”) regardless of whether this Agreement has been terminated. The receiving Party shall not disclose any Confidential Information to any third party, except upon prior written consent of the disclosing Party or as required by applicable laws and regulations or the rules of the jurisdiction where the affiliate of a Party is listed. The receiving Party shall not use directly or indirectly any Confidential Information except for purpose of performing this Agreement.
- 8.2 The Parties acknowledge that the following information is not Confidential Information:
- (a) The information obtained by the receiving Party by legal means before the disclosure, which is evidenced by written proof;
  - (b) The information that has entered public domain not through the fault of the receiving Party; or
  - (c) The information obtained by the receiving Party legally through other channel after receiving the information from the disclosing Party.
- 8.3 The receiving Party may disclose the Confidential Information to its relevant employees, agents or any engaged professionals, provided that it shall ensure such persons to comply with relevant terms and conditions of this Agreement and shall assume any liability arising from the breach by such persons of relevant terms and conditions of this Agreement.
- 8.4 Notwithstanding any other provisions hereof, this Article 8 shall survive the suspension or termination of this Agreement.

## **9. Term of Agreement**

This Agreement is formed when the Parties officially sign it, and, once formed, will become effective retrospectively as of August 12, 2018. Unless the WFOE requires otherwise, this Agreement will terminate when the whole Option Equity and Assets are transferred to the WFOE and/or its designated entity and/or individual according to the provisions hereof.

## **10. Notice**

- 10.1 Any notice, request, demand or other communication required by or made under this Agreement shall be in writing and sent to relevant Parties.
- 10.2 Where the above notice or other communication is sent by fax or email, it will be deemed delivered when it is sent. Where the above notice or other communication is sent by personal delivery, it will be deemed delivered when it is submitted in person. Where the above notice or other communication is sent by mail, it will be deemed delivered two (2) days after it is posted.

## **11. Liabilities for Breach of Contract**

- 11.1 The Parties agree and acknowledge that if either Party (“**Breaching Party**”) materially breaches any covenant hereunder, or fails or delays to perform any material obligation hereunder, it will constitute a breach of this Agreement (“**Breach**”), and each of the other Parties (“**Non-breaching Parties**”) has the right to request the Breaching Party to correct or take remedial measures within a reasonable period. If the Breaching Party fails to do so within a reasonable period or ten (10) days after the Non-breaching Parties give a written notice requesting correction, then:
- (a) If the Existing Shareholder or the Company breaches, the WFOE has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;

- (b) If the WFOE breaches, the Non-breaching Parties have the right to request the Breaching Party to compensate damages, provided, however, that the Non-breaching Parties have no right to terminate or rescind this Agreement, unless the laws provide otherwise mandatorily.

For purpose of this Article 11.1, the Existing Shareholder further acknowledge and agree that their breach of Article 6 hereof will constitute a material breach of this Agreement. The Company further acknowledges and agrees that its breach of Article 7 hereof will constitute a material breach of this Agreement.

11.2 Notwithstanding any other provisions hereof, this Article 11 shall survive the suspension or termination of this Agreement.

## 12. Miscellaneous

12.1 This Agreement is written in Chinese. This Agreement is made in five (5) counterparts, with the Company holding one (1) counterpart, one (1) counterpart filed with the government authority for approval/registration, and the remaining counterparts maintained by the WFOE.

12.2 The conclusion, validity, interpretation and dispute resolution of this Agreement shall be governed by the PRC Laws.

### 12.3 Dispute Resolution

- (a) Any dispute arising from or relating to this Agreement shall be resolved first through the friendly negotiation between the Parties. If negotiation fails, the dispute shall be submitted to China International Economic and Trade Arbitration Commission for arbitration according to the arbitration rules of the Commission effective at the time of submission. The arbitration will be carried out in Shenzhen. The arbitration award is final and binding upon relevant Parties. Unless the arbitration award decides otherwise, the arbitration cost shall be borne by the losing Party. The losing Party shall further reimburse the winning Party's attorney fee and other expenses.
- (b) During the period of dispute resolution, the Parties shall continue to perform other provisions of this Agreement except for the disputed matter.
- (c) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, the arbitrators shall have the right to make an appropriate award according to the actual situation to provide Party B with appropriate legal remedies, including but not limited to restricting Party A's business operation, restricting and/or disposing of Party A's equity or assets (including land) (including but not limited to using the same as compensation), prohibiting the transfer or disposal or making other relevant remedies, and liquidating Party A, etc. The Parties shall implement such award.
- (d) The Parties hereby specifically acknowledge and undertake that, subject to the laws of China, as property preservation or enforcement measures, at the request of one Party to the dispute, the court with jurisdiction shall have the right to make a ruling or judgment before the arbitration tribunal is formed or under other appropriate circumstances permitted by law to provide provisional reliefs to the Party, such as making detaining or freezing judgment or ruling on the property of the defaulting party or the equity of the company. Such rights of the Party and the judgment or ruling made by the court thereon shall not affect the validity of the above arbitration clause agreed upon by the Parties.
- (e) After the arbitration award comes into effect, either Party shall have the right to apply to the court with jurisdiction to enforce the arbitration award.
- (f) The Parties agree that the competent court at the place where (1) Hong Kong Special Administrative Region; (2) the place of registration of XPeng Inc.; (3) the place of registration of Party A (i.e. Guangzhou); and (4) the major assets of XPeng Inc. or Party A are located shall be deemed the court with jurisdiction for the purposes of this Article.

- 12.4 Any rights, powers and remedies granted to either Party under any provision of this Agreement shall not preclude any other rights, powers or remedies granted to the Party under laws or other provisions hereof. No exercise by either Party of its rights, powers or remedies will preclude the exercise by the Party of other rights, powers or remedies.
- 12.5 No failure or delay to exercise by either Party of its rights, powers or remedies under this Agreement or laws (“**Party’s Rights**”) will constitute waiver of such rights, and no single or partial waiver of the Party’s Rights will preclude exercise by the Party of such rights in other way or of other rights.
- 12.6 The headings hereof are inserted for reference only, and shall not be used for or affect the interpretation of any provisions hereof.
- 12.7 The provisions hereof are severable and independent from other provisions. If any or several provisions hereof are decided invalid, illegal or unenforceable at any time, the validity, legality and enforceability of other provisions hereof shall not be affected.
- 12.8 This Agreement, once signed, shall supersede any other legal documents signed by the Parties with respect to the same subject matter. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that the WFOE transfers its rights hereunder according to Article 12.9.
- 12.9 Without prior written consent of the WFOE, the other Parties shall not transfer its right and/or obligation hereunder to any third party. The other Parties agree that without their written consent, the WFOE has the right to transfer any right and/or obligation hereunder to any third party, provided that a written notice shall be given to the other Parties.
- 12.10 This Agreement shall bind and inure to the benefit of the legal assigns and successors of the Parties. The Existing Shareholder warrant to the WFOE that they have taken all proper measures and signed all required documents so that when they go into bankruptcy, are liquidated, or suffer other circumstance that may affect their exercise of their equity, their legal assigns, successors, heirs, liquidators, administrators, creditors and other persons who may obtain the equity interest in the Company or relevant rights shall not affect or prevent performance of this Agreement. For this purpose, the Existing Shareholder and the Company shall promptly sign all other documents and take all other actions (including but not limited to notarizing this Agreement) required by the WFOE.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Kuntu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:

**Guangzhou Xintu Technology Co., Ltd. (Seal)**

Legal Representative: Li Chuxu

Signature:



**Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)**

Legal representative: Xia Heng

Signature:

**Basic Information of the Company**

Company name                      Guangzhou Xintu Technology Co., Ltd.  
Registered address                Room 403 (office-use only), No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou  
Registered capital                 RMB one hundred million  
Legal representative                Li Chuxu  
Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Kuntu Technology Co., Ltd.	100%	100,000,000

**Form of Exercise Notice**

To: Guangzhou Kuntu Technology Co., Ltd. (“you”)

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, and Guangzhou Xintu Technology Co., Ltd. (“**Company**”) on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer your equity interest in the Company to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Equity Transfer Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the [•]% equity interest held by you in the Company (“**Transfer Equity**”). Please transfer the above Transfer Equity to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 2 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangzhou Xintu Technology Co., Ltd. (“you”)

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, and Guangzhou Kuntu Technology Co., Ltd. on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer your assets to us or any third party designated by us.

Therefore, we hereby notify you as follows:

We hereby exercise the Asset Purchase Option under the Option Agreement, and accept by us or by [name of the entity/individual designated by us] the transfer of the assets owned by you as listed in the schedule attached hereto (“**Transfer Assets**”). Please transfer the above Transfer Assets to us or to the [name of the entity/individual designated by us] immediately according to the provisions of the Option Agreement after you receive this notice.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 3 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangzhou Xintu Technology Co., Ltd.  
Guangzhou Kuntu Technology Co., Ltd..

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with Guangzhou Xintu Technology Co., Ltd. (“**Company**”), and Guangzhou Kuntu Technology Co., Ltd.. on [insert date], providing that subject to the laws and regulations of China, upon the request of us, you shall reduce the capital of the Company, and allow us or any third party designated by us to subscribe for the newly increased registered capital of the Company.

Therefore, we hereby notify you as follows:

We hereby exercise the Capital Increase Option under the Option Agreement, and request the Company to reduce its registered capital by RMB[\*]. After completion of the capital reduction, the registered capital of the Company will become RMB[\*], and Guangzhou Kuntu Technology Co., Ltd.. will not hold equity interest in the Company / Guangzhou Kuntu Technology Co., Ltd.. will hold [\*] equity interest in the Company.

Meanwhile, we or [name of the entity/individual designated by us] will subscribe for the newly increased registered capital of the Company of RMB[\*]. After completion of the above capital increase, the registered capital of the Company will become RMB[\*].

Please immediately complete the capital reduction according to the Option Agreement after receiving this notice, and allow us or [name of the entity/individual designated by us] to subscribe for the newly increased registered capital of the Company.

Guangzhou Xiaopeng Motors Technology Co., Ltd. (seal)

Authorized representative:

Date:

Exhibit 4 to the Exclusive Option Agreement

## List of Subsidiaries of the Registrant (as of December 31, 2021)

<u>Subsidiaries</u>	<u>Jurisdiction of Incorporation</u>
XPeng Limited	BVI
XPeng (Hong Kong) Limited	Hong Kong
XMotors. ai, Inc.	U.S.
XSense. ai, Inc.	U.S.
Guangdong Xiaopeng Motors Technology Co., Ltd.* 广东小鹏汽车科技有限公司	PRC
Guangzhou Xiaopeng Automotive Financing Lease Co., Ltd.* 广州小鹏汽车融资租赁有限公司	PRC
Guangzhou Chengxingzhidong Automotive Technology Co., Ltd.* 广州橙行智动汽车科技有限公司	PRC
Guangdong Xiaopeng Automotive Industry Holding Co., Ltd.* 广东小鹏汽车产业控股有限公司	PRC
Zhaoqing Xiaopeng Automobile Co., Ltd.* 肇庆小鹏汽车有限公司	PRC
Guangzhou Xiaopeng Automotive Trading Co., Ltd.* 广州小鹏汽车贸易有限公司	PRC
Guangzhou Xiaopeng Motors Technology Co., Ltd.* 广州小鹏汽车科技有限公司	PRC
Xiaopeng Automobile Sales Co., Ltd.* 小鹏汽车销售有限公司	PRC
XMotors Limited	Hong Kong
Guangzhou Xiaopeng Smart Charge Technology Co., Ltd.* 广州小鹏智慧充电科技有限公司	PRC
Guangzhou Xiaopeng Smart Mobility Technology Co., Ltd.* 广州小鹏智慧出行科技有限公司	PRC
Zhaoqing Xiaopeng New Energy Investment Co., Ltd.* 肇庆小鹏新能源投资有限公司	PRC
Beijing Hengxin Shiguang Automotive Service Co., Ltd.* 北京恒信时光汽车服务有限公司	PRC
Xiamen Pengxing Automobile Sales Service Co., Ltd.* 厦门鹏行汽车销售服务有限公司	PRC
Changsha Xiaopeng Automobile Sales Service Co., Ltd.* 长沙小鹏汽车销售服务有限公司	PRC
Xi'an Xiaopeng Energy Automobile Sales Service Co., Ltd.* 西安小鹏能源汽车销售服务有限公司	PRC

Zhengzhou Xiaopeng Automobile Sales Co., Ltd.* 郑州小鹏汽车销售有限公司	PRC
Tianjin Xiaopeng Automobile Sales Service Co., Ltd.* 天津小鹏汽车销售服务有限公司	PRC
Wuhan Xiaopeng Automobile Sales Service Co., Ltd.* 武汉小鹏汽车销售服务有限公司	PRC
Hangzhou Xiaopeng Automobile Co., Ltd.* 杭州小鹏汽车有限公司	PRC
Suzhou Xiaopeng Automobile Sales Service Co., Ltd.* 苏州小鹏汽车销售服务有限公司	PRC
Shenzhen Xiaopeng Automobile Sales Service Co., Ltd.* 深圳小鹏汽车销售服务有限公司	PRC
Nanjing Xiaopeng Automobile Sales Service Co., Ltd.* 南京小鹏汽车销售服务有限公司	PRC
Zhaoqing Xiaopeng Automobile Sales Service Co., Ltd.* 肇庆小鹏汽车销售服务有限公司	PRC
Dongguan Pengxing Automobile Sales Service Co., Ltd.* 东莞鹏行汽车销售服务有限公司	PRC
Beijing Xiaopeng Automobile Co., Ltd.* 北京小鹏汽车有限公司	PRC
Guangzhou City Delong Automotive Services Co., Ltd.* 广州市德隆汽车服务有限公司	PRC
Chongqing Xiaopeng Automobile Sales Service Co., Ltd.* 重庆小鹏汽车销售服务有限公司	PRC
Chengdu Xiaopeng Automobile Sales Co., Ltd.* 成都小鹏汽车销售有限公司	PRC
Qingdao Xiaopeng Automobile Sales Service Co., Ltd.* 青岛小鹏汽车销售服务有限公司	PRC
Shijiazhuang Xiaopeng Automobile Sales Service Co., Ltd.* 石家庄小鹏汽车销售服务有限公司	PRC
Wuxi Xiaopeng Automobile Sales Service Co., Ltd.* 无锡小鹏汽车销售服务有限公司	PRC
Ningbo Xiaopeng Automobile Sales Service Co., Ltd.* 宁波小鹏汽车销售服务有限公司	PRC
Shanghai Xiaopeng Automobile Sales Service Co., Ltd.* 上海小鹏汽车销售服务有限公司	PRC

<u>Variable Interest Entity (“VIE”)</u>	<u>Jurisdiction of Incorporation</u>
Guangzhou Zhipeng Internet of Vehicle Technology Co., Ltd.* 广州智鹏车联网科技有限公司	PRC
Guangzhou Yidian Smart Mobility Technology Co., Ltd.* 广州易点智慧出行科技有限公司	PRC
Guangzhou Xintu Technology Co., Ltd. 广州欣图科技有限公司	PRC

\* The English name of this subsidiary or VIE, as applicable, has been translated from its Chinese name.



**Certification by the Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Xiaopeng He, certify that:

1. I have reviewed this annual report on Form 20-F of XPeng Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 28, 2022

By: /s/ Xiaopeng He  
Name: Xiaopeng He  
Title: Chief Executive Officer

**Certification by the Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Hsueh-Ching Lu, certify that:

1. I have reviewed this annual report on Form 20-F of XPeng Inc. (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;;
  - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 28, 2022

By: /s/ Hsueh-Ching Lu  
Name: Hsueh-Ching Lu  
Title: Vice President of Finance and Accounting  
(principal financial and accounting officer)

**Certification by the Chief Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of XPeng Inc. (the "Company") on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xiaopeng He, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Xiaopeng He  
Name: Xiaopeng He  
Title: Chief Executive Officer

**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of XPeng Inc. (the "Company") on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hsueh-Ching Lu, principal financial and accounting officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2022

By: /s/ Hsueh-Ching Lu  
Name: Hsueh-Ching Lu  
Title: Vice President of Finance and Accounting  
(principal financial and accounting officer)

## 方達律師事務所

FANGDA PARTNERS

香港 Hong Kong-上海 Shanghai-北京 Beijing-深圳 Shenzhen 广州 Guangzhou

<http://www.fangdalaw.com>

中国北京市朝阳区光华路一号  
北京嘉里中心北楼27层  
邮政编码：100020

电子邮件 E-mail: [email@fangdalaw.com](mailto:email@fangdalaw.com)  
电话 Tel.: 86-10-5769-5600  
传真 Fax: 86-10-5769-5799

27/F, North Tower, Beijing Kerry Centre  
1 Guanghua Road, Chaoyang District  
Beijing 100020, PRC

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XPeng Inc.

No. 8 Songgang Road, Changxing Street  
Cencun, Tianhe District, Guangzhou  
Guangdong 510640  
People's Republic of China

April 28, 2022

Dear Sirs,

We consent to the references to our firm under “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the Group VIEs and Their Shareholders”, in XPeng Inc.’s Annual Report on Form 20-F for the year ended December 31, 2021 (the “Annual Report”), which is filed with the Securities and Exchange Commission (the “SEC”) on the date hereof. We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully,

/s/ Fangda Partners

Fangda Partners

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-251792) of XPeng Inc. of our report dated April 28, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Guangzhou, the People's Republic of China

April 28, 2022